



# Return of Title IV Funds (R2T4)

**“What Happens When a Title IV  
Recipient Withdraws?”**

*Foreign Schools Training - 2010*



## R2T4 Applicability

- Title IV eligible students who begin attendance and completely withdraw, or otherwise cease attending
  - Student must have actually received Title IV loan funds or met the conditions for a late disbursement (Post-Withdrawal Disbursement)
- If student enrolled but never attended any classes
  - Student did not establish eligibility for any funds
  - All Title IV aid disbursed must be returned

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## R2T4 Concept



- Student earns Title IV aid through attendance
  - Percentage of aid earned is equal to the percentage of the payment period or enrollment period completed
- *AFTER the 60% point* in a payment period or period of enrollment, a student has earned 100% of scheduled Title IV funds
- School's own refund policy or other outside policies do NOT impact the amount of Title IV aid earned under R2T4 calculation

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## Basic Premise

- If school has disbursed *more* aid than the student has earned, money is returned to the programs
- If school has disbursed *less* aid than the student has earned, a post-withdrawal disbursement will be calculated



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## Consumer Information

School must provide to prospective and current students:

- Any refund policy with which school must comply
- School's tuition refund policy
- Requirements for treatment of Title IV funds after withdrawal
- Procedures for official withdrawal
  - Office(s) accepting official withdrawal notices

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## Date School Determined Student Withdrew

- Official Withdrawal:
  - Date *begins* official withdrawal process; or
  - Provided official notification to designated office
- Unofficial withdrawal: (no notification)
  - No later than 30 days after end of the EARLIER of:
    - The payment period (or period of enrollment)
    - The academic year, or
    - The student's educational program
- If required to take attendance, determine no later than 14 days after student's LDA

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## Payment Period or Period of Enrollment

- Standard term-based program must use payment period (term)
- Nonstandard term or nonterm program may choose either payment period or period of enrollment
  - May choose on a program-by-program basis
  - Must be consistent with method used
- Title IV aid and institutional charges (generally) calculated on a payment period or period of enrollment basis

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## Step 1 – Student's Title IV Aid

### STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period:
1. Pell Grant	<b>X</b>	<b>X</b>	A. <input type="text"/>
2. Academic Competitiveness Grant			+ B. <input type="text"/>
3. National SMART Grant			= E. <input type="text" value="\$13,123.75"/>
4. FSEOG			
5. TEACH Grant			
A. <input type="text" value="Subtotal"/>		C. <input type="text" value="Subtotal"/>	
B. <input type="text" value="\$13,123.75"/>		F. <input type="text" value="Subtotal"/>	
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total Title IV aid disbursed and that could have been disbursed for the period:
6. Subsidized FFEL/Direct Stafford Loan	\$5,970.00	<input type="text"/>	A. <input type="text" value="\$0.00"/>
7. Subsidized FFEL/Direct Stafford Loan	\$4,228.75		+ B. <input type="text" value="\$13,123.75"/>
8. Perkins Loan			= C. <input type="text" value="\$0.00"/>
9. FFEL/Direct PLUS (Graduate Student)	\$2,925.00		+ D. <input type="text" value="\$0.00"/>
10. FFEL/Direct PLUS (Parent)			= G. <input type="text" value="\$13,123.75"/>
B. <input type="text" value="\$13,123.75"/>		D. <input type="text" value="\$0.00"/>	
Submit		Submit	

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## Aid That Could Have Been Disbursed

- To include aid, must meet conditions for a late disbursement (668.164(g)(2))
  - At time student withdrew -
    - ED processed a SAR or ISIR with official EFC
    - Direct Loans originated
- However, aid listed in the “could have been disbursed” section CANNOT actually be disbursed if:
  - 1<sup>st</sup> time borrower withdraws before the 30<sup>th</sup> day of the academic program (default rate waivers apply)
  - 2<sup>nd</sup> and subsequent disbursements UNLESS the student *graduated or completed* the loan period
  - Borrower did not sign the MPN

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## U.S. Dollars



- All dollar items listed and calculated must be in U.S. dollars
  - Loans disbursed or could have been disbursed
  - Institutional charges
    - Rates at time of awarding
  - Return amounts or post-withdrawal disbursements
- Funds returned through G5 system will be in U.S. dollars

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## STEP 2: Withdrawal Date School *Not* Required to Take Attendance

- Official Withdrawal or Unofficial Withdrawal
  - Official Withdrawal
    - Date student *began* school's withdrawal process
    - Date student otherwise provided "official" notice
      - Official notification provided to a designated school official in official capacity
      - In writing or orally
        - » School must document oral notifications
    - If both dates triggered, use the earlier date

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## STEP 2: Withdrawal Date School *Not* Required to Take Attendance

- Unofficial withdrawal
    - Student withdraws (drops out) without notifying the school; use:
      - Midpoint in period if student did not notify school
- or*
- If student didn't notify due to circumstances beyond student's control, the date related to that circumstance
    - illness, accident, grievous personal loss, etc.

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## STEP 2: Withdrawal Date

### School *Not* Required to Take Attendance

- Date school determines leave began (if student did not return from approved leave of absence)
  - An *approved* leave of absence must meet ED's guidelines\*
  - Schools may have a leave of absence policy different from ED's guidelines
    - Students approved for leave under a policy that doesn't meet ED's guidelines are considered "withdrawn" and an R2T4 must be calculated at the time the leave begins

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*\*Usually not applicable to term-based programs*



## STEP 2: Withdrawal Date

### School *Not* Required to Take Attendance



- School not required to take attendance always has the option of using the date of student's last attendance at an *academically related activity as documented by the school*

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## STEP 2: Withdrawal Date School Required to Take Attendance

**IF...** school is required to take attendance by outside entity (such as an accrediting agency)

**THEN...** withdrawal date is taken from attendance records

- *Always* the last date of academic attendance

**NOTE:** Requirement might apply only to specific groups of students

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## Step 2 - Calendar Days Credit-Hours

Count every day, including weekends and holidays, except:

- Scheduled break of five or more consecutive days when no classes are offered
- Days of leave of absence are not included in total days
- If modules, count all days in modules student scheduled to attend



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## Step 2 – Credit Hours

STEP 2: Percentage of Title IV Aid Earned		
07/08/2009	10/23/2009	08/18/2009
Start date	Scheduled end date	Date of withdrawal
<p>A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.</p>		
<p><b>H. Percentage of payment period or period of enrollment completed</b></p> <p>Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more <b>AND</b> days that the student was on an approved leave of absence).</p>		
42	÷	108 = 38.9 %
Completed days		Total days
<p>▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.</p> <p>▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.</p>		
		<b>H. 38.9 %</b>

## Step 2 - Clock Hours



- Numerator is clock hours *scheduled* to be completed as of the student's last date of attendance
  - Scheduled hours per day times number of days of scheduled class from first day of payment period/period of enrollment to last date of attendance
- Denominator is clock hours *scheduled* to be completed in the payment period/period of enrollment

## Step 2 - Clock Hours

### STEP 2: Percentage of Title IV Aid Earned

Withdrawal date

#### H. Determine the percentage of the period completed:

Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

$$\begin{array}{ccc} \boxed{175} & \div & \boxed{450} = \boxed{38.9\%} \\ \text{Hours scheduled} & & \text{Total hours in} \\ \text{to complete} & & \text{period} \end{array}$$

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H.

## Rounding Rules for Percentages

- Calculate out to 4 decimal places
  - 45 days / 101 days = .4455
  - 199 hours / 450 hours = .4422
- Round to third decimal place
  - .4455 = .446 = 44.6%
  - .4422 = .442 = 44.2%





## Step 3 – IV Aid Earned

### STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G):

$$\begin{array}{|c|} \hline 38.9\% \\ \hline \text{Box H} \\ \hline \end{array} \times \begin{array}{|c|} \hline \$13,123.75 \\ \hline \text{Box G} \\ \hline \end{array} = \begin{array}{|c|} \hline \$5,105.14 \\ \hline \end{array}$$

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## Rounding Rules for Dollar Amounts



- Round to the nearest penny
  - $\$2,346.00 \times 44.6\% = \$1,046.316$  or  $\$1,046.32$
  - $\$2,346.00 \times 44.4\% = \$1,041.624$  or  $\$1,041.62$
- Disbursement or refund may be rounded to the nearest dollar
  - »  $\$1,046.32 = \$1,046$
  - »  $\$1,041.62 = \$1,042$

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## Step 4 – Disbursed or Returned

### STEP 4: Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

#### J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.  
**Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

\$5,105.14	–	\$13,123.75	=	<b>J.</b>	
<small>Box I</small>		<small>Box E</small>			<small>Step 4, continued ▶</small>

### STEP 4: Aid to be Disbursed or Returned CONTINUED

#### K. Title IV aid to be returned

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

\$13,123.75	–	\$5,105.14	=	<b>K.</b>	\$8,018.61
<small>Box E</small>		<small>Box I</small>			

Will discuss later

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## Institutional Charges

Daily Balance	
Date	Amount
10/20	\$ 738.97
10/21	628.82
10/22	580.53
10/23	534.21
10/24	482.94
10/25	438.62

- Charges include:
  - Tuition and fees
  - Room and board (if contracted with school)
  - Course materials if no real and reasonable opportunity to purchase outside of school
- Charges *initially* assessed student for the payment period/period of enrollment
  - Only adjusted by changes prior to withdrawal

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## Step 5 – Aid Returned by School

STEP 5: Amount of Unearned Title IV Aid Due from the School			
<b>L. Institutional charges for the period</b>	Tuition		\$7,000.00
	Room		\$3,000.00
	Board		\$2,000.00
	Other		
	Other		
<b>Total Institutional Charges</b> <i>(Add all the charges together)</i>		= <b>L.</b>	\$12,000.00
<b>M. Percentage of unearned Title IV aid</b>			
100% - <b>38.9 %</b>		= <b>M.</b>	<b>61.1 %</b>
<small>Box H</small>			
<b>N. Amount of unearned charges</b>			
Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M):			
\$12,000.00	x	61.1 %	= <b>N.</b> \$7,332.00
<small>Box L</small>		<small>Box M</small>	
<b>O. Amount for school to return</b>			
Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.			
		<b>O.</b>	\$7,332.00

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## Step 6 - Return of Funds by School

STEP 6: Return of Funds by the School	
The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.	
<b>Title IV Programs</b>	<small>Amount for School to Return</small>
1. Unsubsidized FFEL/Direct Stafford Loan	\$5,970.00
2. Subsidized FFEL/Direct Stafford Loan	\$1,362.00
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	
<b>Total loans the school must return</b>	
	<b>P.</b> \$7,332.00
6. Pell Grant	<b>X</b>
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	

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## Timeframe to Return Funds

- Return funds to Direct Loan program as soon as possible, but no later than **45 calendar days** after the *date of determination of withdrawal*
  - Calculation must be completed within **30 calendar days** of the *date of determination of withdrawal*



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## Step 7 & 8 - Amount Student Owes

### STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

\$8,018.61	-	\$7,332.00	=	<b>Q.</b>	\$686.61
<small>Box K</small>		<small>Box O</small>			

▶ If Box Q is  $\leq$  zero, **STOP**. If greater than zero, go to Step 8

### STEP 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R). These outstanding loans consist either of loan funds the student has earned, or unearned loan funds that the school is not responsible for repaying, or both; and they are repaid to the loan holders according to the terms of the borrower's promissory note.

\$13,123.75	-	\$7,332.00	=	<b>R.</b>	\$5,791.75
<small>Box B</small>		<small>Box P</small>			

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

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## Step 8: Repayment of Student's Loans

- *Student is responsible to repay any loan funds not returned by the school*
- Loans are repaid in accordance with terms of the promissory note



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## Post-Withdrawal Disbursements (PWD)

- When Title IV aid disbursed is less than Title IV aid earned

### STEP 4: Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

#### **J. Post-withdrawal disbursement**

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

**Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

<input type="text"/>	-	<input type="text"/>	=	<b>J.</b> <input type="text"/>
Box I		Box E		

Step 4 continued ▶

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## Notification of PWD

- School must provide written notification within 30 days of *date of determination of withdrawal*
  - Must identify type and amount of funds
    - Amount crediting student's account and/or direct disbursements to student/parent
  - Must explain option to accept or decline some or all of funds
  - Must explain obligation to repay any loan funds disbursed
  - Must provide a deadline for response
    - At least 14 days

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## PWD - Loan Funds

- Must receive confirmation from the student or parent borrower prior to disbursement
  - Does not have to be in writing but must be documented
  - If received after deadline, school may choose to honor a late response
- Direct disbursements to the student or parent must be made as soon as possible, but no later than 180 days after *date of determination*



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## Special Circumstances

- R2T4 and Credit Balances
- Death of a Student
- Inadvertent overpayments
- Failing to earn a passing grade
- Terms with modules
- Prorating charges
- Student returning within 180 days or transferring into a new program in clock hour and nonterm credit hour programs



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## Resources/References

- FSA Handbook, Vol. 5, Chapter 2
- 34 CFR 668.22
- Dear Colleague Letters
  - – GEN-00-24; GEN-04-03
- FSA Assessments
  - <http://www.ifap.ed.gov/qahome/fsaassessment.html>
- R2T4 Demo Site available at
  - <http://fafsademotest.ed.gov>
- R2T4 website through FAA Access to CPS Online
  - <http://faaaccess.ed.gov>



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