

PSC-ED-FSA-TISD

**Moderator: Angie Beatty
October 2, 2012
12:30 pm CT**

Coordinator: Good afternoon and thank you for standing by. All participants will be in a listen-only mode for the duration of today's conference. This conference is being recorded.

I would now like to turn the call over to Kevin Campbell. You may begin.

Kevin Campbell: Good day, everyone. My name is Kevin Campbell and I am a training officer with the U.S. Department of Education in Dallas, Texas.

Welcome to the U.S. Department of Education's 2012 fall webinar training series. This training consists of four modules. Module 2, Return of Title IV for Clock Hours, is what we are doing today.

The remaining three modules, Campus-Based Issues, Return to Title IV for Modules and Clock Hour Issues comprise the balance of our training series. They will be offered on successive days throughout this week and again during the week of October the 14. Please refer to Dear Colleague Letter ANN-12-21 for dates, times and registration information for those webinars.

Our presenters today will be Byron Scott and (Suzanne Scheldt). Byron is a training officer in our Chicago office and (Suzanne) is a training officer in our Seattle office.

We do have a handout of the slides available for you. If you go to the top of your toolbar on the right-hand side and click the icon which looks like three white pieces of paper a box will open up that will allow you to download the handout to your own computer from which you can then print the handout. It will not print directly from the website.

Because of the large number of people with us today it's not practical to have the phone lines open for your questions. However, you can submit your questions electronically. Just click on the Q&A tab, type in your question and click on the work ask. Please do not click on the raised hand as that tool is not functional in this venue.

We have question managers behind the scenes who will be responding to the questions received through this process. And time permitting at the conclusion of the presentation we will read some of the questions aloud and provide answers to everyone.

Without further delay I'd like to turn the call over to (Suzanne Scheldt).

(Suzanne Scheldt): Well thank you, Kevin, and hello everyone and welcome to the Return of Title IV Funds for the Clock Hour program session. This is the second session in a series of four webinars to assist aid administrators and business officers with the various aspects of administering the Title IV programs. This session will be repeated on Tuesday October 16 if you are unable to participate in the full presentation today.

As we have a lot to cover during the next 90 minutes let's get started.

This webinar will provide an overview of how Title IV funds are handled when a recipient of those funds in a clock-hour program ceases to be enrolled prior to the end of the payment period or the period of enrollment. We will review some basic concepts, work through a return of Title IV funds case study calculation and offer you some resources and references you can use in performing the return of Title IV funds in your office.

As Kevin mentioned we will not be covering the return of Title IV funds for programs offered in modules today. That topic will be covered tomorrow in Session 3.

So let's begin our overview by going over some of the general concepts and basic principles of the R2T4 formula and some key definition. An understanding of these terms and concepts is critical to obtaining accurate results in the return calculation.

For future reference the information we will be covering today can be found in Volume 5 of the 2012-13 FSA Handbook which is located on ifap.ed.gov and in 34 CFR 668.22.

Let's start with some of the basic principles underlying the return of Title IV funds. Title IV funds are awarded to a student under the assumption that the students will attend school for the entire period for which the aid is awarded. When a student withdraws the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive.

It's important to note that the requirements of the return of Title IV funds apply to any recipient of Title IV grant or loan funds who ceases all

attendance. These requirements do not apply to a student who reduces his or her course load, for a example a student who reduces her course load from 12 to 9 credits.

The types of Title IV grant or loan funds that would be included in a return calculation would be Pell Grants, the Iraq/Afghanistan Service Grants, FSEOG, TEACH Grants, Perkins Loans and Direct Loans. Federal work study is never included in the return of Title IV calculation.

A student earns Title IV aid through attendance. If he or she withdraws from a school after beginning attendance the amount of the Title IV grant or loan assistance earned by the student must be determined.

The percentage of the aid earned is equal to the percentage of the payment period or period of enrollment completed. Aid is prorated based on the days or hours a student attended.

If a school has disbursed more aid than the student has earned the return of Title IV - the Title IV funds are returned to the programs. If a school has disbursed less aid than the student has earned a post-withdrawal disbursement needs to be determined and may, depending on the circumstances, be disbursed to the student.

Up through the 60th percent point in each payment period or period of enrollment a pro rata schedule is used to determine the amount of Title IV funds the student has earned at the time of the withdrawal. A student withdrawing from a clock-hour program is considered to have earned 100% of the aid the student - excuse me, has earned 100% of his aid if the student's withdrawal date occurs after the point he was scheduled to complete 60% of the scheduled hours in the payment period or period of enrollment. However

in this case a school must still determine whether the student is eligible for a post-withdrawal disbursement.

The return of Title IV regulations do not dictate or prohibit an institutional refund policy. However institutional or other refund policies such as those that may be prescribed by a state or an accreditor do not impact the amount of Title IV aid earned under a return of Title IV calculation.

A school is required to determine that (unintelligible) earned and unearned portions of the Title IV aid as of the date the student ceased attendance and the time the student was scheduled to be in attendance. Although an institutional, state or agency refund policy will determine the charges a student will owe after withdrawing, these policies will not affect the amount of Title IV aid the student has earned under the return calculation. We want schools to use the best available information because it impacts the dollars.

The basic premise of the return of Title IV funds is that a student earns Title IV aid based upon the days or clock hours that the student attended prior to the withdrawal. Students begin earning Title IV funds on the first day of class. The key concept here is that they begin attendance.

The return of Title IV requirements listed in 34 CFR 668.22 apply to any eligible Title IV recipient who withdraws during the payment period or period of enrollment in which the student began attendance.

If the student never begins attendance for the payment period or period of enrollment the regulations for the return of Title IV funds under 34 CFR 668.22 do not apply. In these cases under the revisions of 34 CFR 668.21 the institution must return all Pell Grant funds, Federal SEOG funds, Perkins Loan funds and TEACH Grant funds. All Direct Loan funds that were

credited to the student's account at the institution for the payment period or period of enrollment must be returned.

For any Direct Loan funds disbursed directly to the student for the payment period or period of enrollment the institution is not responsible for returning the funds but must immediately notify the loan servicer that the student has not or will not begin attendance so that a final demand letter to the borrower can be issued.

Schools who disburse Title IV funds are required to provide consumer information about the Title IV programs to current and prospective students. An institution must provide sufficient information for a student or prospective student to be able to determine the financial consequences of withdrawing, any refund policy with which the school must comply and the school's tuition refund policy. Students must be informed about the procedures required for an official withdrawal and the offices at the institution that accept official withdrawal notifications.

Because of the return of Title IV does not affect institutional refund policies the school must provide the student with information on both the federal student aid requirements and the school's refund requirements and the relationship between those two policies. Additionally a student or prospective student should be informed that federal student aid may not cover all unpaid institutional charges due to the institution at the time of the student's withdrawal.

For students who withdraw from a clock-hour educational program the institution has the choice of performing the return calculation based on either the payment period or the period of enrollment. Schools may choose to determine this based on a program-by-program basis. However the institution

must use the same basis, whether that's the payment period or period of enrollment, in its calculations for all students within a program who cease attendance.

Let's talk briefly about verification and how this can affect the return of Title IV funds calculation.

The department sets deadlines by which the return of Title IV funds calculation must be performed. And we will cover those requirements in a later slide. The department also establishes deadlines for the submission of required verification documents that apply to all the Title IV programs.

Additionally for campus-based program funds and Direct Loan program funds an institution may establish an institutional verification deadline that may be earlier than the date established by the department. The institution must include its verification deadlines in the consumer materials it provides for students.

For a student who has withdrawn prior to submitting required verification documents and who does not provide the required documents in time for the school to complete the verification process and also meet the return deadlines, the institution includes in the return of Title IV calculation only the Title IV aid that was not subject to the verification process. The Title IV aid we are talking about consists of PLUS Loan funds, unsubsidized Direct Loan funds and TEACH Grant funds.

If verification is subsequently completed after the return deadlines but before verification deadlines have passed the school must recalculate the return of Title IV funds and include the verified amounts in aid that could have been disbursed.

It is important to remember when completing the return of Title IV funds calculation an institution must determine not only the aid that was disbursed to the student but also any Title IV aid that could have been disbursed to the student. This determination is completed in Step 1 of the return calculation.

To include aid in the aid that could have been disbursed category -- excuse me -- the conditions for a late disbursement must be met. These conditions are considered to be met if an otherwise eligible student at the time that he or she withdrew has from the Department of Education a processed ISR or SAR with an official EFC and a Perkins loan or federal SEOG grant was awarded to the student or the school has originated a Direct Loan for the student or the school has originated a TEACH Grant award to the student.

Please note that even if there is aid listed in the aid that could have been disbursed section any disbursement of funds that the institution was prohibited from making on or before the date the student withdrew cannot actually be disbursed. These include Direct Loan funds for a first-time borrower who withdraws before the 30th day of the payment period unless a default rate waiver applies, a second disbursement of Direct Loan funds where the student has not reached the later of the calendar midpoint of the loan period or the date that the student completes half of the academic coursework or clock hours in the loan period, a second or subsequent Direct Loan disbursement unless the student graduated or completed the loan period, a Master Promissory Note was not signed by the borrower or valid ISR requirements were not met.

Regulatory changes effective on July 1, 2011 modified the definition of schools that are required to take attendance, therefore affecting the return of Title IV funds. The goal of the return provision is to identify the date that

most accurately reflects the point when a student ceases academic attendance. The withdrawal date is an integral part of the return of Title IV funds calculation and the regulatory changes allow for a more accurate determination of how much Title IV aid is earned by a student who withdraws.

A school is required to take attendance if an outside entity requires that attendance be taken or if a school has an internal requirement that faculty take attendance. It is required to take attendance to establish a last date of attendance for R2T4 purposes. This applies whether the requirement to take attendance is school wide by a program of study or by academic department.

And lastly, if an outside entity or a school has a requirement then can be only met by taking attendance or a comparable process, including but not limited to requiring that the students in a program demonstrate attendance in classes of that program or a portion of that program, then the school is considered to be required to take attendance for (RT4) purposes as well. Under the new regulations, schools that are required to measure the clock hours that a student completes in a program are considered to be institutions that are required to take attendance for the return of Title IV funds purposes.

You can review this information on Page 66898 of the preamble page of the October 29, 2010 Federal Register. A link to the Federal Registers can be found on the IFAP Web site.

For schools required to take attendance, the Department of Education provides guidance on activities that the secretary finds acceptable to document attendance. As you can see on this slide, these activities include but are not limited to physically attending a class with direct interaction or submitting an academic assignment. It could be taking an exam, an interactive tutorial or a

computer-based instruction, could be attending school-assigned study group or participating in an online discussion about academic matters. Also initiating contact with a faculty member to ask about a subject being studied.

Documentation and the determination of attendance must be made by the school. It is the school's responsibility to ensure that accurate records are kept for purposes of identifying and documenting a student's last date of attendance or participation in an academically-related activity. The school must determine and maintain records to do - to accurately support its determination of a student's withdraw date and its use of one date over another if conflicting information exists.

A student's self-certification of attendance is not acceptable unless it is supported by school documentation. Remember for online courses, the school must be able to document that the student did something other than just log on. The school must demonstrate that a student participated or was otherwise engaged in an academic-related activity such as contributing to the online discussion or initiating contact with a faculty member to ask course-related questions.

Attendance does not include activities where the student may be present but not academically engaged. Please note that participation in academic counseling or advising is no longer considered a demonstration of academic attendance, as it was in the past. Living in dorms or residents halls, eating and dining halls or logging into an online course without active participation also do not constitute attendance.

Institutions need to determine when a student is considered a withdrawal. In a clock-hour program, a student is considered to be a withdrawal if he or she does not complete all the scheduled hours and weeks of instructional times.

Schools must also document completed courses with a passing grade. If there is no passing grade in the scheduled course, the school must demonstrate that the student completed the period.

For clock-hour programs this is not usually an issue due to the tracking of attendance, but there could be some circumstances where it is. For example, in an LPN program, if a student fails the last science class in the payment period, you'll need to confirm the student completed the period and had not ceased attending.

In schools required to take attendance, the last date of attendance must be the withdrawal date. The date of determination of the withdrawal cannot be more than 14 calendar days after the withdrawal date. For schools required to take attendance, it is up to the school to ensure that accurate attendance records are kept for purposes of identifying a student's last date of academic attendance.

A school must document a student's withdrawal date including the school's use of one date over another if the school has conflicting information and maintain that documentation as the date of the school's determination that the school withdrew. The determination of a student's withdrawal date is the responsibility of the school. A student's certification of attendance that is not supported by institutional documentation is not acceptable.

An approved leave of absence affects whether a return of Title IV calculation needs to be done. A student is not considered to have withdrawn from the institution if the institution has placed the student on an approved leave of absence. A leave of absence is a temporary interruption in the student's program of study and refers to a specific time period during a program when a student will not be in attendance.

Among the policies and procedures a school must maintain is one that discusses the procedures a student must follow and apply for an approved leave of absence and the criteria the institution will apply in determining whether to approve the student's request for a leave of absence. The student's request must be written. It needs to be signed and dated and include the reason for the leave.

The school must have a reasonable expectation that the student will return. The request must be submitted in advance of the leave. If unforeseen circumstances prevent a student from submitting a prior written request, for example, an accident, the school may grant the request for the leave if it documents the decision and collects the written request at a later date.

The student may not assess - the institution may not assess the student any additional institutional charges. The student's need may not increase, and therefore, the student is not eligible for any additional federal student aid during the leave of absence. If the student is a Title IV loan recipient, the school must explain to the student prior to granting the leave of absence the effects that the student's failure to return from a leave may have on the student's loan repayment terms including the expiration of the student's grace period.

The leave of absence must not total - or must not exceed a total of 180 days in any 12-month period. And please note that when calculating the maximum timeframe for a student's approved leave of absence, the school must ensure that it accounts for all periods of nonattendance including weekends and scheduled breaks. Thus, since an approved leave of absence may not be more than 180 days, a school might have to reduce the length of the student's leave if the 180th day is scheduled to fall on a day that the school would be closed.

A student granted a leave of absence is not considered to have withdrawn and no return calculation is required unless the student fails to return from the approved leave of absence. Upon the student's return from the leave, he or she continues to earn the federal student aid previously awarded for the period.

When a student fails to return from approved leave of absence, though we hope that doesn't happen, the withdrawal date is the student's last date of attendance. If a student on an approved leave of absence fails to return and receive Title IV loan funds, the grace period starts retroactively back to the withdrawal date, and the school must report to the loan holder the student's change in enrollment status as of the withdrawal date.

One possible consequence of not returning from a leave of absence is that a student's grace period for a Title IV program loan might be exhausted. As covered in the previous slide, in order for a leave of absence to be an approved leave prior to granting the leave of absence, a school must inform a student who is a Title IV loan recipient of the possible consequences a withdrawal may have on the student's loan repayment terms including the exhaustion of the student's grace period.

It is very important to keep up with the requirements and the deadlines to complete the return of Title IV process. These particular date requirements listed on the slide are triggered by the date of the school determined when the student withdrew.

So within 30 days, the school must perform the return of Title IV calculation. They need to notify the student of a grant overpayment. They need to notify the student of eligibility for a post-withdrawal disbursement if it applies. The school must return the Title IV funds within 45 days, and the school must

make any post-withdrawal disbursement to a student or parent within 180 days.

Schools need to devise a method to track these requirements to ensure compliance. Violating these requirements are some of the most frequent program review and audit findings. Please keep in mind that the 45-day timeframe to return funds includes the 30-days period to perform the calculation and provide any notifications.

There may be instances when a student withdraws and has a Title IV credit balance. In this situation, do not release any portion of the Title IV credit balance to the student and do not return any portion of the Title IV program - and do not return any portion to the Title IV programs prior to performing the return calculation. The institution must hold these funds even if consistent with the 14-day credit balance payment and requirement of 34 CFR668.164. It would otherwise be required to release them.

You perform the return calculation including any existing Title IV credit balance for the period in the calculation as disbursed aid. You apply any applicable refund policy, whether that be state or a crediting agency, to determine if doing so creates a new or larger Title IV credit balance.

Any Title IV credit balance must be allocated first to repay any grant overpayment owed by the student as a result of the current withdrawal. Although it's not included in the return calculation, any Title IV credit balance from a prior period that remains on a student's account when the student withdraws is included as Title IV funds when you determine the amount of any final Title IV credit balance.

Remember the school must use the final credit balance first to satisfy any current student grant overpayment. The institution must return such funds to the Title IV grant account within 14 days of the date that the institution performs the return calculation.

Within 14 days of the date that the institution performs the return calculation, an institution must pay any remaining Title IV credit balance funds in one or more of the following ways: In accordance with the (unintelligible) regulations to pay authorized charges at the institution, and this can include previously paid charges that are now unpaid due to a return of Title IV funds by the institution. With the student's authorization to reduce the student's Title IV loan debt, not limited to the loan debt for the period of withdrawal or to the student or the parent for a PLUS loan.

If the institution cannot locate the student or parent to whom a Title IV credit balance must be paid, it must return the credit balance to the Title IV program. The department does not specify the order of the return of the Title IV programs for credit balance. We encourage institutions to make determinations that are in the best interest of the individual student. And please remember, schools may not use a Title IV or a Title IV credit balance to return funds for which it is responsible to return as a result of Step 5 in the return of Title IV funds calculation.

At this point in the Webinar, I'm going to turn the presentation over to my colleague, Byron Scott. Byron, welcome.

Byron Scott: Thanks very much, (Suzanne). Hello everyone. My name is Byron Scott, and I'm a training officer here in the Chicago office. And it is a pleasure to be here with you today.

We're going to now start taking a look at the impact of Title IV credit balances on the R2T4 calculation, and within 14 days of performing the R2T4 calculation, any remaining Title IV credit balance on the student's account must be released. That's in accordance with the cash management regulations to pay authorized charges at the institution, which can include any previously paid charges that are now unpaid due to a return of Title IV funds by the institution.

With the student's authorization, you - the institution can use the credit balance to reduce the student's Title IV loan debt but only with the student's authorization. If you are unable to locate the student or the parent for a PLUS loan, the Title IV credit balance must be returned to the Title IV programs.

The department does not specify the order of return to Title IV programs for a credit balance. We encourage institutions to make determinations that are in the best interest of the individual student. You cannot use a Title IV credit balance to return funds for which the institution is responsible as a result of Step 5 of the calculation.

Later in the presentation we're going to go over an example of an R2T4 calculation in detail. The next few slides will explain the concepts and calculation steps before we begin the worksheet example.

In the R2T4 calculation in step two we will be determining the percentage of Title IV aid that is earned. This is the only part of the calculation that differs between credit hour institutions and clock hour institutions.

In a clock hour program a student must complete all of the clock hours and weeks of instructional time for which he or she was scheduled to attend in the payment period or period of enrollment. So in step two for clock hour

institutions the numerator is the clock hours scheduled to be completed as of the student's last date of attendance.

To determine this number take the scheduled hours each day times the number of scheduled class days from the beginning of the payment period or period of enrollment to the student's last date of attendance. The denominator of the equation is the clock hours scheduled to be completed in the payment period or period of enrollment.

When doing the math in the R2T4 calculation there are rounding rules to follow. For math equations regarding days or hours you will calculate out to the fourth decimal point -- for example 199 hours scheduled divided by 450 hours in the payment period which leads to a decimal result of 0.4422.

You'll round that to 44.2%. In terms of rounding for dollar figures in the calculation you'll round to the nearest penny.

So for example if \$2346 multiplied by 44.4% equals \$1041.624 you'll round that to \$1041.62. The disbursement or refund that's due may be rounded to the nearest dollar.

And for Direct Loans you will be required to round to the nearest dollar as the COD system will not accept pennies in disbursement or refund records. In step three of the calculation we calculate the amount of Title IV aid earned by the student based on the percentage of the payment period completed.

In step four we will determine if the amount of the aid the student earned is greater than the amount that was disbursed in which case a post withdrawal disbursement may be made or necessary. Or if the amount of Title IV aid

earned by the student is less than the amount disbursed -- in that case you will be required to return Title IV funds.

Part of the calculation includes institutional charges. The institutional charges for the payment period are used to determine the portion of the unearned federal student aid that the school is responsible for returning.

Tuition and mandatory fees are always part of institutional charges. If an institution enters into a contract with a third party to provide institutional housing the institution must include the cost of housing as an institutional charge in the R2T4 calculation if a student living in third-party housing withdraws.

If an institution releases funds to a student for the purchase of books and supplies with a bookstore voucher this amount becomes an institutional charge for the R2T4 calculation. This would include expenses for required course materials such as books, a kit, tools or other mandatory supplies.

If the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school, those materials are institutional charges. The institutional charges used in the calculation are always the charges that were initially assessed the student for the entire payment period or period of enrollment prior to the student's withdrawal.

Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal -- for example if the student dropped a class or changed enrollment status. If after a student withdraws your institution changes the amount of institutional charges it originally assessed or it decides to eliminate all institutional charges those changes do not affect the charges or the aid used in the calculation.

Unearned institutional charges are used in step five of the calculation where you will be calculating the amount of unearned Title IV aid that your institution has to return. This step in the calculation first considers total institutional charges as we just discussed.

The institutional charges are multiplied by the percentage of unearned aid. And we determine the percentage of unearned aid by subtracting the percentage of aid earned from 100%.

Based on this calculation your institution will return the lesser of the aid amount to be returned -- step four of the calculation -- or the result of this calculation in step five. You are required to return any funds due from the institution as soon as possible but no later than 45 calendar days after the date of determination of the withdrawal.

And remember at a clock hour institution the date of determination of withdrawal is no later than 14 calendar days after the last date of attendance. The R2T4 calculation however needs to be completed within 30 calendar days of the date of determination of withdrawal.

This does not mean that there are 45 days after the 30 days. But rather that within the 45 day window to make a required refund you must calculate the R2T4 within 30 days.

In order to document that you complied with these deadlines you must record and substantiate your date of determination of withdrawal. If funds need to be returned after the completion of the R2T4 calculation the law determines the order in which the funds must be returned.

And this is specified in the R2T4 calculation worksheet. You'll begin by returning Direct Loan funds, first unsubsidized and then subsidized, then Perkins and PLUS loan funds, then Pell, SCOG and Teach Grant funds.

There may be circumstances in which the student is required to return a portion of funds as a result of an R2T4 calculation. And this is based on the amount due from the school which we calculated in step five subtracted from the total Title IV aid to be returned in step four.

Institutions return their share of the refund first. If after you return all fund required there could be an amount due from the student.

If however the amount of funds due from the student includes any kind of loan funds the student is not required to return them immediately. The student will repay loan funds in accordance with the terms of the promissory note.

In this circumstance your institution need only notify the servicer of the withdrawal date. If however grant funds are due from the student that could be considered an overpayment.

However 50% of grant funds due from a student are protected. Additionally a student is not required to repay funds to any program in which the original amount of the return is less than \$50.

And as was the case for institutions the law specifies the order of Title IV programs to which funds must be returned. The order of return for students would be Pell grants, FFCOG and then Teach Grant and the Iraq Afghanistan Service Grant funds.

You are required to notify the student of any grant overpayment within 30 days of the date of determination of withdrawal. You need to notify the student that he or she must repay the overpayment or make satisfactory arrangements to do so.

In your notification your institution must notify the student that he or she owes an overpayment of Title IV funds and that the student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date you send the notification or the date you were required to send the notification to the student.

During this 45 day period the student must either repay in full to the school or at your option the student may make satisfactory arrangements to repay to your institution. However two years is the maximum time that you may allow for a repayment to you.

Or the student may sign a repayment agreement with the department. If the student has not repaid the funds to you within 45 days or made satisfactory arrangements you are required to notify the department and refer the overpayment to the department for us to collect.

You are not required to make payment arrangements with the student. If the student wants to make a payment arrangement and you do not wish to hold the debt you can immediately refer the debt to the debt collection service at the department and have the student make the arrangements with the department.

Please note that a student is not responsible for returning funds to any program to which the original amount of the overpayment due is \$50 or less. Amounts of \$50 or less are considered to be de minimis.

These de minimis amounts are program specific. That is if a return calculation resulted in the student having to return \$150 in Pell funds and \$40 FSCOG funds the student would have to return the Pell funds but the FSCOG funds would be considered de minimis and treated as described.

The student however for any amount greater than \$50 the student must repay the entire amount. He simply cannot say for example take this \$150 and pay \$100 to bring it to a \$50 amount due.

He needs to repay the entire amount of any amount due greater than \$50. If the student doesn't take positive action during the 45 day period your institution should report the overpayment to NSLDS immediately and refer the student to borrower services for collection.

If the student wishes to make payment arrangements and you do not wish to service the arrangement you would immediately report the student to the department. And also if you do make payment arrangements and the student fails to comply with those arrangements you must immediately report the borrower to the department.

You are required to return unearned funds for which you are responsible as soon as possible but no later than 45 days after your date of determination. In some circumstances you may calculate that a post withdrawal disbursement is due.

If all of the conditions for late disbursements are met then you must offer the late disbursement to the student. It's important to remember that post withdrawal disbursements, available grant funds are disbursed before available loan funds.

Available funds refers to the Title IV program assistance that could have been disbursed to the student but was not disbursed as of the date of determination of the student's withdrawal. If a post withdrawal disbursement of grant funds is due you do not need the student's authorization to credit the student's account for current tuition, fees and room and board charges if they were contracted with the school up to the amount of the outstanding charges.

In this circumstance you must credit the student's account with a post-withdrawal disbursement within 180 days of the date of determination. Continuing to discuss grant funds you must disburse directly to the student any amount of a required post withdrawal disbursement of grant funds that is not credited to the student's account.

You must make this disbursement as soon as possible but no later than 45 days after the date of your determination that the student withdrew. You must obtain a student's authorization to credit a student's account with Title IV grant funds for any charges other than current institutional charges.

There are different requirements for loan funds. You are required to notify a student or a parent for a 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 for current institutional charges or disbursed directly to the student or parent.

The information in your notification must include the information necessary for the student or parent as applicable to make an informed decision as to whether the student or parent would want to accept any disbursement of loan funds. You are required to provide this notification within 30 days of your determination that the student withdrew.

The notice must request that the parent or student, as appropriate, confirm any post-withdrawal disbursement your institution wishes to make.

Your notice must identify the type and amount of the loan funds it wishes to credit to the student's account or to disburse directly to the student or parent. And the notice must explain that a student or parent can accept or decline all or a portion of the funds.

The notice must explain the obligation to repay the loan funds, whether they are disbursed to the student's account or directly to the borrower.

You must document the result of the notification process and the final determination concerning the disbursement and maintain that documentation in the student's file.

In the notification you need to advise the student or parent that they must respond within a deadline that you establish. The earliest for the deadline is 14 days, or it can be longer if your institution chooses.

The deadline applies to both confirmation of loan disbursements to the student's account and any direct disbursements of a post-withdrawal disbursement to the student or parent borrower.

The notification must make it clear that if the student or parent does not respond to the notification within the timeframe you establish, your institution is not required to make the post-withdrawal disbursement.

In your notification your institution can also include the student's request to make a post-withdrawal disbursement for charges other than institutional charges.

If the student's response to the notification is late after the deadline you establish, you may, at your choice, make the post-withdrawal disbursement, but you are not required to do so.

Sometimes students who have withdrawn, they will return. If a withdrawn student reenters a clock-hour program - the same clock-hour program of study, after 180 days or transfers into a new program at anytime and at least some of the hours transfer in, the student begins a new payment period upon reentry or transfer. And the remaining portion of a program is treated as the length of the entire program for awarding Title IV funds.

If a withdrawn student returns to a clock-hour program within 180 days of the withdrawal date, then it is as if the student never left and he or she resumes attendance at the point at which they previously withdrew and the R2T4 calculation is reversed.

If a student transfers into a new program at your institution, he or she can be considered to be in the same payment period if they were continually enrolled, if the course work that they transferred out of is substantially similar to the coursework in the new program, and the payment periods between the two programs are substantially equally in clock-hours and weeks, and there is little or no change to the institutional charges for the payment period, and the clock hours from the first program transfer into the second program.

If all of those conditions are not met, then the conditions we discussed on the previous slide would apply.

So now that we've talked about the theory and the steps in the calculation, we're going to take a look at an example of a student who was withdrawn

from a clock-hour program and for whom the institution is calculating the R2T4.

Blank worksheets can be found on Page 122 of Chapter 5 of the 2012/13 Student Aid Handbook if you are interested in working through the calculation steps with me.

So let's start with a scenario for our calculation. We're going to say this is a 900 clock-hour program that's offered over 26 weeks and the payment periods are each 450 clock hours. Students are scheduled to attend 35 clock hours per week.

R2T4 calculations are done by the payment period. And for this example we will say that the payment period began January 15 of 2013, and the students last date of attendance was February 18, 2013.

As of the date of the student's withdrawal, the student had received the following disbursements, \$950 in Federal Pell Grant funds, \$990 in unsubsidized direct loan funds, and \$1733 in subsidized direct loan funds. Institutional charges for the payment period total \$4500.

So here you'll see an example of the first part of the R2T4 worksheet for clock hours. And this is where the student's name and social security number is entered, as well as the date the form was completed and the date of the school's determination that the student withdrew.

You'll notice on the slide the box with period of enrollment has an X in it. That's a mistake. This should be for the payment period. This institution is performing its R2T4 calculations on payment period basis.

And in this example the institution completed the R2T4 calculation on March 4 following the student's withdrawal or last date of attendance on February 18. In this example, the institution performed an R2T4 calculation within the required 30-day deadline.

Here you'll see Step 1 of the calculation. We are completing the information about the aid that was disbursed or could have been disbursed. And you'll see on Line 1 for Box A, we show the Pell Grant disbursement of \$950. And then in Box B we show the amount of the direct loan funds that was disbursed totaling \$2723. There are no amounts that could have been disbursed, so Boxes C and D are empty.

When we add Boxes A and B together, we see the total aid disbursed for the period was \$3673. That amount is also shown in Box G because there was no aid that could have been disbursed.

Here we see Steps 2 and 3 of the calculation. In Step 2 we determine the percentage of Title IV aid earned. The withdrawal date is February 18. And to determine the percentage of the payment period that our student (Max) completed, we take the hours he was scheduled to complete and divide them by the total number of hours in the payment period.

In order to make the most accurate calculation, the institution has to know the hours a student is scheduled to attend each day.

In this example, the institution determined that (Max) was scheduled to complete 175 hours in the payment period as of February 18. We divide this number, 175, by the total hours in the payment period, which is 450. One-hundred and seventy-five divided by 450 is .3888. So remember our rounding rules, that comes out to 38.9%. Thirty-eight point nine percent is less than

60%, so we enter this percentage in Box H. This is the percentage of the Title IV aid that was earned.

So in Step 3, we multiply the percentage of aid earned, 38.9%, times the total amount of grant and loan funds that were disbursed or could have been disbursed, which in our circumstance were all disbursed. This amount is \$3673, which is Box G from Step 1. And so we determine that the total amount of Title IV aid earned by the student was \$1428.80.

So now we move to Step 4 where we will determine the amount of Title IV aid to be disbursed in a post-withdrawal disbursement or the amount of Title IV aid to be returned.

To determine if a post-withdrawal disbursement is due, we complete Step J. So in Box I we have the total amount of Title IV aid earned by the student, which was \$1428.80. And then we subtract the total amount of aid disbursed.

In this circumstance, that's \$3673. So subtracting 3000 from 1400, we would have a negative amount, in which case we enter 0 in Box J and there is no post-withdrawal disbursement due.

So now we continue to Step K. In Step K we will determine if any Title IV aid needs to be returned.

We start with the total Title IV aid disbursed, \$3673 in Box E, and we subtract that. From that we subtract \$1428.80, which is the amount earned in Box I. This amount shows that \$2244.20 is the amount of Title IV aid that must be returned.

So after determining the amount of aid that must be returned, we determined of that amount how much must be returned by the institution. This is where institutional charges come into the calculation.

In Box L we list the institutional charges for the school. In our circumstance, the tuition charge for the payment period is \$4500. There were no room and board charges or other institutional charges that would be included in the return calculation. So the total institutional charges are \$4500 and listed in Box L.

To determine the percentage of aid unearned, we subtract the percentage of aid unearned from the previous step, which was 38.9%. That amount is subtracted from 100%. And the amount of unearned institutional charges would be based on 61.1%.

So we multiply the amount of unearned institutional charges in Box L times 61.1% from Box M. That shows that \$2749.50 are the amount of unearned institutional charges.

We then compare the amount in Box N, unearned institutional charges, with the amount in Box K, and Box K with the amount of aid to be returned. And the lesser amount is the amount due from the institution.

In this example the amount in Box K, the total amount of Title IV funds to be returned, was the smaller amount. And so Box O shows that the institution is required to return \$2244.20.

Now in Step 6 we'll determine the programs to which the unearned Title IV funds that are due from the school must be returned. Unsubsidized loans are returned first.

(Max) received a net disbursement of \$990 in unsubsidized loan funds. (Max) received a total of \$1733 in subsidized loan funds; however, the institution only returns \$1254.20 in subsidized funds, as \$990 plus \$1254.20 added together equals the total amount of \$2244.20 that the institution is required to return.

In Step 7 we determine if any amount of unearned Title IV aid is due from the student. We subtract the amount of Title IV aid that the institution must return in Box O from the total amount due back in Box K. The result in this case is zero, so (Max) does not owe any unearned funds back to the Title IV program. The institution is responsible for the entire return.

This may seem like a lot of math to have to do everyday every time you have a refund calculation. And so you may wonder if there are tools that are available to help you with this. There are.

We've walked through the definitions and concepts associated with the R2T4 calculation, and we'd like to introduce you to a tool from the department that is available to assist schools in calculating the return to Title IV funds.

We have developed an electronic Web-based product called R2T4 on the Web. Though the use of this product is optional, many schools find it very beneficial in meeting their R2T4 requirements. This is an online non-year specific application that calculates the earned and unearned portion of Title IV program assistance.

It is easy to use. Student data is stored on the Web server and storage space is virtually unlimited. Institutions no longer have to download and install software to individual or multiple computers. The destination point

administrator, or DPA, of the TG number currently used by the school to send and receive FAFSA and (Icer) corrections has automatic access to the FAA access, to CPS online tool, which is where you will find the R2T4 software.

And he or she can add other users. Again, the R2T4 software is available through FAA access to CPS online. And once you're enrolled, you'll see a link on the bottom of Slide 56 showing you a link to this product.

This is an example of the main page of FAA access to CPS online. And you'll see down on the bottom left corner, here's a link to the R2T4 on the Web software. This is an example of what the software looks like after you open it and you'll see links on the left to various segment sections of the software.

This is where you would find - create a new R2T4 calculation. You would look up a previous calculation. You would establish your institutional charges and school calendars. And you can also run reports and export data. In the bottom third of the page, the blue links all are used to explain the process and functionality of the software.

Once your institution sets up the school calendar profile for each program, and enters the institutional charges for each program, the software will calculate the R2T4 calculation for each student when information about the student is entered into the software. If you wish, you can also print the results of the calculation and it will be formatted to look like the return of Title IV funds worksheets from the FSA handbook.

Remember that the department's reference materials and guidance are available to everyone involved in the day to day operations surrounding administration of the Title IV program. There's a great deal of information about R2T4 that's available from the department and it may be that you can't

always remember everything at the top of your head but we're hoping to provide you with the tools you can use so that you can know where to go to ask questions.

And so on the next slide you'll see a list of several resources. The resources include Volume 5 of the FSA handbook, Federal Regulation 34CFR668.22. you'll see some Dear Colleague letters dating back to 2000 and 2004. Some of those have information about institutional charges.

The FSA assessments have some information about return to Title IV funds. You'll see the names - the data the Federal Register that (Suzanne) mentioned earlier. And we also have a demo site for the R2T4 software. You may have used the demo site for FAFSA on the Web but we also have a demo site for the R2T4 software product so you have the opportunity to practice to see how this will work at your institution.

The user name for the demo site is ed demo - or the letters E-D, D-E-M-O. The password is FAFSA Test - F-A-F-S-A, T-E-S-T. The TG number is 99999 - five 9s - and the school ID is 001002. This concludes our formal presentation on R2T4 for (clock hour) programs. We hope this has provided valuable insight into your processes and responsibilities associated with returning Title IV funds.

As a reminder, please don't forget to attend our other 2012 fall Webinar training modules including a module tomorrow on R2T4 four module. At this time, we'll be going over questions received during this session with the goal of sharing answers with all of our, our listeners, today. So I'd like to turn over the question and answer period to Kevin.

Kevin Campbell: Thank you Byron and thank you very much for your part of the presentation and thank you, (Suzanne), for starting us off today. Lots of good information was shared. Well, I have just the question and answer room, if you will, and our colleagues are still in the question and answer area I believe getting some last minute questions. So I would like to share just the few questions we got through the Webinar now. And then invite the other question managers to perhaps share some of these last minute questions that we're getting here at the end of the Webinar.

We were asked early in the Webinar, what hours are to be used in the return to Title IV calculation? And the correct answer to that is to use student's scheduled hours in the return to Title IV calculation. And this has been in place for a number of years, that is, the calculation calls for the student's scheduled hours.

Okay, we had a question about what was the correct procedure to follow if the school had missed the 45 day deadline in which a school has to complete the return to Title IV and to move the funds back to the relevant Title IV program. And the correct answer is to go in and do the return as soon as possible, albeit it will be late. There's no way to cure the fact that you have missed the deadline but you do definitely want to do the return as soon as possible after missing that deadline.

We had a question that dealt with a student who attended for a very short period of time, and the question it - the example given was that the student only attended for one day, a total of four hours and it appears that in that particular instance, the school did not charge the student any tuition. And they wanted to know what charges to use in the calculation.

And the correct answer is to use the initial charges that were charged the student for the particular period for which you are calculating a return. In this example, that particular period was a payment period but it could've been a period of enrollment if the school had chosen to do the returns in the manner. But the important point here is that you would use the initial charges that were assessed the student even though in this particular instance, the school removed those charges subsequent to doing the internal Title IV.

And the person asking this question further inquired if, in fact, the student would earn any Title IV benefit for attending those four hours. And the answer would be yes, albeit a very small amount because they were only scheduled to attend those four and then withdrew.

We had a question about the correct process to follow when a school calculates that a student has to, in fact, return grant funds back to the Department of Education. And the correct answer is that that is a two-step process. You assign the debt to our debt collection service or otherwise known as borrower services.

That is so even when dealing with Pell grant funds that our borrow services colleagues are in charge of handling that situation. The school's job is to refer that debt to borrower services. There is a form for your use in Volume 5 of the Federal Student Aid handbook that you can use that form to send in or to fax into our borrower services.

The second part of the process is for the school to report the student being in receipt of Pell funds for which they're not eligible. That report is done to NFLDS and that is the information we use then to make that student eligible for future Title IV disbursement until their overpayment is resolved.

We had a question that said is 60.1% greater than 60% or is it rounded down to 60%? And it is greater than 60% and being greater than 60%, the return calculation instructs you to treat that as if it were 100% earned.

I'd like to invite my colleagues, who are busy answering questions, if they have anything received in the last few minutes of the Webinar that they might like to share (quickly).

Byron Scott: Kevin, this is Byron. One question we got was about the due dates for calculation a return if a student fails to return from a leave of absence. The 30 and 45 deadlines are the same. The return of Title IV funds calculation is due to be calculated within 30 days of the date the student was due to return from the leave of absence. And the return must be made within 45 days of the date the student was scheduled to return from the leave.

Man: Thank you.

(David Bartnicki): And Kevin, this is (David Bartnicki). One of the questions being asked is what is scheduled hours? And I know I've had that come up a few times with some of my schools so it's important for the schools to know when you're including that in step two of the return in Title IV calculations, the scheduled hours are going to be those hours that the student could have conceivably attended or earned had they been going to school for the very beginning of the payment period until the last date of attendance in that particular payment period.

So we're not looking at actual earned hours or (potentially) completed hours. The calculation that is a benefit to the student where we're simply looking at what are the hours from the beginning of the payment period to the last date of attendance? What were they scheduled to attend? If they had gone every day,

as they should have under the program of study that they're in, how many hours would they have earned at that point?

Kevin Campbell: Thank (David). Are there any other questions that we want to share with our audience today?

(Greg): I had one Kevin. This is (Greg). We did have a question regarding the order or return - a couple questions regarding the order of return, and what affects the order or return. This one specifically dealt with what types of Title IV rate created a credit balance and whether or not that affects the order of return. I think specifically it dealt with whether a subsidized loan or a Plus loan created the credit balance and whether that affected the order of return.

And I would just clarify that the order of return is statutory, so it's in law. And it's unaffected by anything related to credit balances or what causes a credit balance. In fact, we don't even have any rules regarding what causes a credit balance.

A Title IV credit balance is when Title IV aid exceeds allowable charges but we did not place any other restrictions on it such as that first (date) is the one that caused the credit balance. There's no order of posting rules. But even if there were, it would not affect the statutory order of return.

Kevin Campbell: Thank you (Greg). Well, if there are no other questions that we want to share this afternoon, I believe that most of the questions were answered in the Q&A session by our question managers - then I'd like to thank everyone for attending today, taking time out of your busy schedules to participate I our Webinar.

I would like to remind all of our participants in the Webinar today that we do have an electronic survey that we ask that you complete. Give us your feedback about what you think about the Webinar that you just participated in. Right now you see the survey being displayed on your screen, and if you click in the next button, it will launch the survey. It's very short and your feedback is very important. We take that feedback and use that information that you provide for us as we develop Webinars in the future.

So thank you very much. We hope to see you on future Webinars in this series over the next couple of days and during the week of October the 14th. Thank you all very much.

Coordinator: Thank you. This concludes today's conference call. You may disconnect at this time.

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