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
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

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
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

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
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

Step 1 – Student’s Title IV Aid

<table>
<thead>
<tr>
<th>Title IV Grant Programs</th>
<th>Amount Earned</th>
<th>Amount Earned Could Have Been Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pell Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Academic Competitiveness Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. National SMART Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. FFEL/FFIE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. TEACH Grant</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Title IV Loan Programs</th>
<th>Amount Earned</th>
<th>Amount Earned Could Have Been Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Unsubsidized FFEL/Direct Stafford Loan</td>
<td>$5,970.00</td>
<td></td>
</tr>
<tr>
<td>7. Subsidized FFEL/Direct Stafford Loan</td>
<td>$4,228.75</td>
<td></td>
</tr>
<tr>
<td>8. Perkins Loan</td>
<td>$2,925.00</td>
<td></td>
</tr>
<tr>
<td>9. FFEL/Direct PLUS (Graduate Student)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. FFEL/Direct PLUS (Parent)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

E. Total Title IV aid disbursed for the period: $13,123.75
F. Total Title IV aid disbursed and that could have been disbursed for the period: $13,123.75
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:
  • 1st time borrower withdraws before the 30th day of the academic program (default rate waivers apply)
  • 2nd and subsequent disbursements UNLESS the student graduated or completed the loan period
  • Borrower did not sign the MPN

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
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

• 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.
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

*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
**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

---

**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
Step 2 – Credit Hours

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

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).

\[
\begin{array}{c}
38.9 \% \\
\times \\
$13,123.75 \\
\end{array}
\]

\[
\begin{array}{c}
Box H \\
\times \\
Box G \\
\end{array}
\]

\[
\begin{array}{c}
= \\
1. \\
$5,105.14 \\
\end{array}
\]

Rounding Rules for Dollar Amounts

- Round to the nearest penny
  - $2,346.00 x 44.6% = $1,046.316 or $1,046.32
  - $2,346.00 x 44.4% = $1,041.624 or $1,041.62
- Disbursement or refund may be rounded to the nearest dollar
  - \( $1,046.32 = $1,046 \)
  - \( $1,041.62 = $1,042 \)
Step 4 – Disbursed or Returned

Will discuss later

Institutional Charges

- 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
### Step 5 – Aid Returned by School

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

<table>
<thead>
<tr>
<th>Institutional charges for the period</th>
<th>Tuition</th>
<th>Room</th>
<th>Board</th>
<th>Other</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Institutional Charges</strong></td>
<td>L.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Add all the charges together)</td>
<td>$12,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**M. Percentage of unearned Title IV aid**

$$100\% - \frac{38.9\%}{M.} = 61.1\%$$

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

$$\frac{12,000.00}{51.1\%} = N.$$

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

$$O. = 7,332.00$$

### 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.

**Title IV Programs**

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount for School to Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unsubsidized FFEL/Direct Stafford Loan</td>
<td>$5,970.00</td>
</tr>
<tr>
<td>2. Subsidized FFEL/Direct Stafford Loan</td>
<td>$1,362.00</td>
</tr>
<tr>
<td>3. Perkins Loan</td>
<td></td>
</tr>
<tr>
<td>4. FFEL/Direct PLUS (Graduate Student)</td>
<td></td>
</tr>
<tr>
<td>5. FFEL/Direct PLUS (Parent)</td>
<td></td>
</tr>
<tr>
<td><strong>Total loans the school must return</strong></td>
<td>P. $7,332.00</td>
</tr>
<tr>
<td>6. Pell Grant</td>
<td></td>
</tr>
<tr>
<td>7. Academic Competitiveness Grant</td>
<td></td>
</tr>
<tr>
<td>8. National SMART Grant</td>
<td></td>
</tr>
<tr>
<td>9. FSEOG</td>
<td></td>
</tr>
<tr>
<td>10. TEACH Grant</td>
<td></td>
</tr>
</tbody>
</table>

**P.**

$$P. = 7,332.00$$
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

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 Q).

\[ \text{Box K} - \text{Box Q} = \text{Q} \]

\[ \$8,018.61 - \$7,332.00 = \text{Q} \]

\[ \text{Q} = \$686.61 \]

**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.

\[ \text{Box B} - \text{Box P} = \text{R} \]

\[ \$13,123.75 - \$7,332.00 = \text{R} \]

\[ \text{R} = \$5,791.75 \]

- 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.
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

Post-Withdrawal Disbursements (PWD)

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

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*
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

Resources/References

• FSA Handbook, Vol. 5, Chapter 2
• 34 CFR 668.22
• Dear Colleague Letters
  – – GEN-00-24; GEN-04-03
• FSA Assessments
• R2T4 Demo Site available at
• R2T4 website through FAA Access to CPS Online