Return of Title IV (R2T4) Funds: Essential Concepts

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Agenda

- Basic Principles
- Definitions and Ground Rules for Return of Title IV (R2T4)
- How the R2T4 Calculation Works
- Outcomes of the R2T4 Calculation
- Returning Funds and Post- Withdrawal Disbursements
- Aid to Include in an R2T4 Calculation
- Payment Period or Period of Enrollment
- Withdrawal Date and Amount Completed
- Institutional Charges
- Programs Offered in Modules
Basic Principles

• Title IV funds are awarded to a student with the assumption that the student will attend school for the entire period for which the assistance is awarded.

• When a student ceases attendance prior to the planned ending date, the student may not be eligible for the full amount of Title IV funds the student was scheduled to receive.
Basic Principles

- Students earn Title IV aid equal to the amount of attendance in a payment period (PP) or period of enrollment (POE)
  - In a credit-hour program, the percentage of aid earned is equal to the percentage of the period completed on the withdrawal date
  - In a clock-hour program, the percentage of aid earned is equal to the percentage of the period the student was scheduled to complete on the withdrawal date
Basic Principles

• If a school has disbursed more aid than the student has earned, Title IV aid must be returned to the Department.

• If a school has disbursed less Title IV aid than the student has earned, a post-withdrawal disbursement (PWD) will be calculated and must be offered.
Basic Principles

• After the student completes (or is scheduled to complete) more than 60% of the PP or POE, the student has earned 100% of his/her Title IV funds

• Institutional or other refund policies (State, accrediting agency) do not impact the amount of Title IV aid earned under a R2T4 calculation

• Schools should use the best information available to determine the withdrawal date
Consumer Information

• Any refund policy with which the school must comply, as specified by the State / accrediting agency

• Requirements for the treatment of Title IV funds after withdrawal

• Requirements and procedures for officially withdrawing from the school
  • Includes naming the administrative offices that handle the official withdrawal process for your campus
Failure to Begin Attendance

If an institution cannot document that a student commenced attendance for the PP or POE, the student is not an eligible student for Title IV funds for that period. Therefore:

• The provisions of 34 CFR 668.22 (R2T4) do not apply
• Instead, the provisions of 34 CFR 668.21 (Non-Attendance) apply
Failure to Begin Attendance

- All Federal Pell Grant, FSEOG, Iraq-Afghanistan Service Grant, and TEACH Grant funds must be returned
- Direct Loan (DL) funds credited to the student’s account must be returned
- For DL funds disbursed directly to the student:
  - The institution may choose to return the funds itself; or
  - The DL servicer must be notified and the funds immediately repaid by the student
Definitions and Ground Rules for R2T4

**Withdrawal date:** The date that a student ceased attendance at an institution.

**Date of determination:** The date that the institution determined that the student ceased attendance.
The R2T4 requirements do not apply if a student:

• Withdraws from some, but not all, of his/her coursework (e.g. dropping one of four classes during a semester)

• Completes the period by receiving a passing grade at the end of the last class that he/she was scheduled to attend
Definitions and Ground Rules for R2T4

An institution may consider a student to have completed a PP or POE (and avoid an R2T4 calculation) with a failing grade, but only if:

- The institution’s grading policy differentiates between completing a course but failing to meet course objectives (e.g. “F”) and failing to complete the course (e.g. “W”); and
- The student receives the grade that denotes completion of the course
Definitions and Ground Rules for R2T4

Rounding Rules: Dollar Amounts and Percentages

- **Calculation - 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

- **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 One: The institution determines the net amounts of Title IV aid for which a student was eligible at the time of the withdrawal, including amounts disbursed and amounts that could have been disbursed.
How the R2T4 Calculation Works (Credit Hour)

**Step Two:** The institution calculates the percentage of the period that was completed. If greater than 60%, the student earned 100% for the period.

**Numerator:** Number of days attended (completed) in the period

**Denominator:** Total number of days in the period
How the R2T4 Calculation Works (Clock Hour)

**Step Two:** The institution calculates the percentage of the period that the student was scheduled to complete upon withdrawal. If greater than 60%, the student earned 100% for the period.

**Numerator:** Number of hours the student was scheduled to complete

**Denominator:** Total hours in the period
How the R2T4 Calculation Works

Steps Three and Four: The percentage completed (or scheduled to complete) is multiplied by the total amount of Title IV aid for which the student was eligible.

- If the amount earned is less than the amount disbursed, a return to the Department is required.
- If the amount earned is greater than the amount disbursed, a PWD is required.
Step Five: If a return is required, the institution determines the amount of unearned Title IV aid it is responsible for returning. The amount of funds due from the institution is calculated by adding all the institutional charges incurred by the withdrawal date, then multiplying that total by the percentage of the period the student did not complete.
How the R2T4 Calculation Works

**Step Six:** Once the institution determines the total amount of unearned Title IV aid that must be returned to ED, the institution must return funds in the statutory order (*i.e.* loans, then grants)
Steps Seven through Ten: Once the institution has determined the amounts of each type of unearned Title IV aid that it must return, any remaining unearned funds that were disbursed are the responsibility of the student

- Remaining unearned Title IV loan funds (e.g. Direct or Perkins Loans) must be repaid by the student in accordance with the terms of the loans. No further action by the institution is required for these unearned funds

- Remaining unearned Title IV grant funds, if greater than 50% of the total grant assistance disbursed for the period, are considered grant overpayments. The institution must notify the student within 45 days of his/her obligation to repay those funds
Outcomes of an R2T4 Calculation

1. Amount of Title IV funds disbursed exceeded amount earned, so funds must be returned to the Department
   • Returns may be required of the school or the student

2. Amount of Title IV funds disbursed was less than amount earned, so a post-withdrawal disbursement must be offered to the student (or parent)

3. Amount of Title IV funds disbursed equals amount earned, and no further action is necessary
Returns by the School

- An institution must return the Title IV funds it has responsibility to return as soon as possible, but no later than **45 days after the date of determination**
- A return is completed on the date that the institution:
  - Deposits or transfers the funds into the school’s federal funds bank account, and then awards and disburses the funds to another eligible student; or
  - Returns the funds to the Department electronically using the “Refund” function in G5
Returns by the Student (Grant Overpayments)

• The student is obligated to return any Title IV overpayment in the same order that is required for schools.

• A school must notify the student within 30 days of the date of determination that the student must repay the overpayment or make satisfactory arrangements to repay it.
Returns by the Student (Grant Overpayments)

- Grant overpayments may be resolved through:
  - Full and immediate repayment to the institution,
  - Repayment arrangements satisfactory to the school, or
  - Overpayment collection procedures negotiated with Default Resolution Group

- A student does not have to repay a grant overpayment of $50.00 or less for grant overpayments resulting from the student’s withdrawal
Post-Withdrawal Disbursements

- Must meet the late disbursement requirements in 668.164(j)
- Must be made from grant funds before loan funds
- May be used to pay for:
  - Tuition/fees;
  - Room and board, if contracted with the institution;
  - Other charges, with written authorization
Post-Withdrawal Disbursements

Post-withdrawal disbursements of **Title IV grant funds**:

- If disbursed directly to the student, must be made as soon as possible but within **45 days of the date of determination**. If disbursed to the student’s account, must be made within **180 days of the date of determination**.
- Cannot be made if the institution did not have a valid SAR/ISIR by the deadline established by the Department.
Post-Withdrawal Disbursements

Post-withdrawal disbursements of **Title IV loan funds**: 

• Must be offered to the student (or parent in the case of a PLUS Loan) **within 30 days of the date of determination** and school must request confirmation of acceptance

• Must be made within **180 days of the date of determination**
Post- Withdrawal Disbursements

Notifications for **Title IV loan** post-withdrawal disbursements:

- Within **30 days of the date of determination**, the institution must notify the student (or parent) and explain that the borrower may decline all or a portion of the loan disbursement.
- Institution must request confirmation of any amount to be credited to the account or directly disbursed to the borrower.
- The institution must explain the obligation to repay the loan.
- The institution must specify a deadline of at least 14 days for required response/confirmation.
Post-Withdrawal Disbursements

Notifications for **Title IV loan** post-withdrawal disbursements:

- If the response is late, the school may decide to disburse or not to disburse. If the school decides to not disburse, it must notify the borrower in writing.
- If no response from the borrower, no post-withdrawal disbursement can be made.
Aid to Include in an R2T4 Calculation

An institution must determine the total amount of Title IV aid for which a student was eligible as of his/her withdrawal date. This includes:

- Aid disbursed to the student’s account or directly to the student
- Aid that could have been disbursed

![Image of a diagram showing the calculation steps for R2T4.](image-url)
Aid That Could Have Been Disbursed

In addition to the Title IV aid that was disbursed, include aid that could have been disbursed if conditions for late disbursements in 34 CFR 668.164(j)(2) were met prior to the withdrawal date:

- All Title IV – ED processed the ISIR/SAR with an official EFC
- TEACH Grant – School originated grant
- Perkins/FSEOG – School made the award
- Direct Loan – School originated loan
- Direct PLUS – Satisfactory credit check was received
Aid That Could Have Been Disbursed

Origination:

• A Direct Loan or a TEACH Grant is “originated” on the date that the institution creates an electronic origination record.

• The date of origination is the date that the school creates the origination record in its system, not necessarily the date that it transmits the information to the Common Origination and Disbursement (COD) System.
Aid That Could Have Been Disbursed

In some cases, aid is included as “aid that could have been disbursed,” but the school cannot make a post-withdrawal disbursement of that aid. These cases include:

- Second or subsequent disbursements of DL
- First disbursements of DL to a student in a modular program who withdrew before beginning attendance in enough courses to establish half-time enrollment status
- Disbursements of DL to first-year, first-time DL borrowers unless the students complete the first 30 days
Aid That Could Have Been Disbursed

Example:

• First-time, first-year student starts class on Sept. 1, but withdraws on Sept. 28. Direct Loan for $1,000 that has been originated has not been disbursed because of the 30-day delay rule

• The school includes the $1,000 loan as “Aid that could have been disbursed”

• BUT: These funds cannot be disbursed because the student was not eligible due to the fact that the first-time, first-year student did not attend for at least 30 days
Payment Period or Period of Enrollment (Credit Hour)

The total number of days in an institution’s payment period or period of enrollment constitutes the denominator of the credit hour R2T4 calculation.

- “Total days” excludes scheduled breaks of five days or more
- “Total days” also excludes leaves of absence and periods in which the student was not enrolled in any modules
The total number of scheduled hours in an institution’s payment period or period of enrollment constitutes the denominator of the clock hour R2T4 calculation.

- Must be hours that were established in accordance with accrediting agency requirements
- Do not count scheduled hours during periods when a student is on a leave of absence or “make-up” hours that were not part of the student’s normal schedule
Payment Period or Period of Enrollment

• For a standard term program, the institution must use the payment period

• For a non-term or nonstandard term program, the institution may use either the payment period or period of enrollment
  • Must use consistently for all students in a program
Payment Period or Period of Enrollment

Payment Period

Aug. 19  Dec. 6

Period of Enrollment

Aug. 19  Dec. 6  Jan. 13  May 7
Payment Period or Period of Enrollment (Clock Hour)

- For a clock-hour program, the institution may use either the payment period or period of enrollment
  
  - Must use consistently for all students in a program

**Payment Period**

- 450 Hours
- Aug. 19 to Dec. 6

**Period of Enrollment**

- 450 Hours
- Aug. 19 to Dec. 6
- Jan. 13 to May 7
Payment Period or Period of Enrollment

Example:

Scenario: Student leaves after 21 days in the second term of a two-term academic year.

<table>
<thead>
<tr>
<th>PAYMENT PERIOD</th>
<th>PERIOD OF ENROLLMENT</th>
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<tbody>
<tr>
<td>Total # of Days:</td>
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</tr>
<tr>
<td># of Days Completed</td>
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<tr>
<td>Calculate %</td>
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</tr>
<tr>
<td>% Earned (If &gt; 60%, earned = 100%)</td>
<td>21%</td>
</tr>
<tr>
<td>Total TIV AID Disb'd or Could Have Been Disb'd</td>
<td>2000</td>
</tr>
<tr>
<td>Amt Earned in Current PP</td>
<td>420</td>
</tr>
<tr>
<td>Amt Earned in Previous PP</td>
<td>2000</td>
</tr>
<tr>
<td>Amt Unearned for Pd of Enrollment</td>
<td>1580</td>
</tr>
</tbody>
</table>

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Leave of Absence

A leave of absence (LOA) is a temporary interruption in a program of study instead of a withdrawal.

**Conditions for an approved LOA:**

1. Formal written policy
2. Student follows the formal policy in requesting the LOA
3. There is a reasonable expectation that the student will return from the LOA
4. The school approves the LOA in accordance with its policy
5. The student is not assessed additional institutional charges
6. The number of days on an approved LOA cannot exceed 180 days within a 12-month period
7. Loan recipients must be told about the effects on their grace period if they do not return
Withdrawal Date and Amount Completed

A student’s withdrawal date determines the number of days the student is considered to have completed, and helps determine the numerator of the R2T4 calculation.

- In a credit hour program, “completed days” exclude scheduled breaks of five days or more, leaves of absence, and periods when the student was not enrolled in any modules.
Required to Take Attendance?

• For purposes of determining a student’s withdrawal date, there are two types of institutions:
  • Institutions required to take attendance
  • Institutions NOT required to take attendance

• All clock hour programs are considered “required to take attendance”
An institution is “required to take attendance” if:

• An outside entity requires that attendance be taken;
• The institution has its own requirement that instructors take attendance; or
• An outside entity or the institution has a requirement that can only be met by taking attendance
Required to Take Attendance?

• Having a census date (sometimes called the “add/drop date” where the institution takes a snapshot of attendance) does NOT cause an institution to be required to take attendance

• In a program offered using modules, an institution can have up to one census date in each module without being considered “required to take attendance”
Institutions Required to Take Attendance

An institution required to take attendance must use its official attendance records to determine a student’s withdrawal date.
Institutions Not Required to Take Attendance

An institution not required to take attendance is any institution that does not fall into one of the categories for institutions required to take attendance

- Most institutions fall into this category
- Institutions not required to take attendance have more options for determining when a student has withdrawn
Institutions **Not** Required to Take Attendance

Types of withdrawals at institutions not required to take attendance:

- The earlier of the official withdrawal date / the date the student otherwise provided intent to withdraw
- Date related to accident, grievous personal loss, or other such circumstances beyond the student's control, if those things prevented the student from officially withdrawing
Institutions Not Required to Take Attendance

Types of withdrawals at institutions not required to take attendance (continued):

- Date the student began a leave of absence (if he/she does not return, or if the leave does not meet federal requirements)
- Midpoint of the period (if the student gives no notice; sometimes called an “unofficial withdrawal”)
- Last date of attendance or an academically-related activity (optional)
“Academic attendance” and “attendance at an academically-related activity” include, but are not limited to:

- Physically attending a class with direct interaction
- Academic assignment submission
- Taking an exam, interactive tutorial, or a computer-based instruction
- Attending a school-assigned study group
- Participating in an online discussion that is academically-related
- Interacting online with faculty about subject matter or to ask course-related questions
Academic Attendance

An academically-related activity **DOES NOT** include:

- Living in institutionally provided housing or participating in the meal plan
- Logging into an online course without active participation
- Participating in academic counseling or advisement
Academic Attendance

An institution NOT required to take attendance may always use the last date of an academically-related activity as the withdrawal date.

The school, not the student, must document:

• That the activity is academically-related; and

• The student’s attendance at the activity
Date of Determination

For an institution that is required to take attendance:

• The date that the student provides notification that he or she is ceasing attendance
• If no notification is provided, no later than 14 days after the last date of attendance (except in unusual circumstances)

NOTE: An institution is not required to administratively withdraw a student after 14 days, but should be aware that the 14th day begins the time frame for calculations/returns
Date of Determination (Credit-Hour)

For an Institution NOT Required to Take Attendance

- The date the student provides notification; or
- The date the institution becomes aware that the student ceased attendance

A determination must be made no later than 30 days after the end of the earlier of:
  - The payment period or the period of enrollment,
  - The academic year, or
  - The student’s educational program
Deadlines Related to Date of Determination

Within **30 days**, the institution must:
- Perform the R2T4 calculation
- Notify the student of any grant overpayment
- Notify the student of eligibility for a post-withdrawal disbursement (PWD) of loan funds

Within **45 days**, the institution must:
- Return the Title IV funds it has responsibility to return
- Make a PWD of grant funds directly to the student

Within **180 days**, an institution must:
- Make a PWD of grant funds to a student’s account
- Make any PWD of DL funds
Institutional Charges

The total amount of institutional charges for the period determines the portion of unearned Title IV aid that the institution is responsible for returning.

- Charges included are those initially assessed for the period, or adjusted prior to the withdrawal.
- Must be prorated if charges are assessed for a period longer than the period used for R2T4 purposes.
Credit Balances and R2T4

When a student with a credit balance withdraws:

• Hold all Title IV credit balances until R2T4 calculated
• Credit balance is “Aid/Amount Disbursed” in the calculation
• Determine if credit balance changes because of a State, accreditor, or institutional refund policy
• After the R2T4 calculation - use any remaining credit balance to first repay a grant on behalf of student
• Release credit balance within 14 days
Verification and R2T4

If Verification is not completed when R2T4 calculated:

• Return any Interim Disbursements of aid subject to verification and do not include them in R2T4
• Include only Unsubsidized and PLUS loans in R2T4

If Verification is completed later, but within deadlines:

• School must perform new R2T4 calculation using additional eligible aid as aid that could have been disbursed
A program is “offered in modules” if a course or courses do not span the entire length of the payment period (PP) or period of enrollment (POE).

The determination of whether a program is offered in modules is made on a payment period-by-payment period or period of enrollment-by-period of enrollment basis, as appropriate, and is student specific.
Q: How do I know when a student has withdrawn in a program offered in modules?

A: Use the following flowchart:

STEP ONE: After beginning attendance in the period, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend?

If NO, this is not a withdrawal.

If YES, Go to STEP TWO

STEP TWO: When the student ceased to attend or failed to begin attendance, was the student still attending any other courses?

If YES, this is not a withdrawal. However, other recalculation requirements may apply.

If NO, Go to STEP THREE

STEP THREE: Did the student confirm attendance in a course in a module beginning later in the period?

If YES, this is not a withdrawal unless the student does not return.

If NO, this IS a withdrawal.
A student in a program offered in modules is a withdrawal* if the student:

- Withdraws from a module he/she is attending;
- Completes a module, but then drops out of future modules in the period between modules; or
- Completes a module, but does not drop out of future modules that he/she was scheduled to attend

A student is **not** a withdrawal if he/she withdraws from all future classes on the same day as completing a module.

*Unless the student provides written confirmation after ceasing attendance that he/she intends to return in a future module
The denominator of the Return of Title IV (R2T4) calculation is the total number of calendar days in the payment period or period of enrollment, including all days within the period that the student was scheduled to complete prior to ceasing attendance.

- Excludes scheduled breaks of at least five consecutive days when the student is not scheduled to attend a module or other course offered during that period of time.
Therefore, for a student who is scheduled to complete more than one module:

- If the student withdraws from or completes a module and later drops all classes in the future module(s), the total number of calendar days in the denominator will include the days in the future module(s).

- If the student drops the future module(s) prior to withdrawing, the total number of calendar days in the denominator will not include the days in the future module(s).
Withdrawal from Programs Offered in Modules: Example 1

- John is scheduled for classes in both Modules 1 and 2
- He completes Module 1, but never returns for Module 2 and does not inform the school that he is leaving
- The student is considered withdrawn when he does not return to Module 2, and the denominator of his R2T4 calculation will include all the days in Modules 1 and 2
  - Pell must be recalculated using only classes attended in Module 1 and only the recalculated amount is included in the R2T4 calculation
Withdrawal from Programs Offered in Modules: Example 2

<table>
<thead>
<tr>
<th>Module 1</th>
<th>Break</th>
<th>Module 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completes Module 1</td>
<td></td>
<td>Drops all courses in Module 2</td>
</tr>
</tbody>
</table>

• Tina is scheduled for classes in both Modules 1 and 2
• She completes Module 1, and subsequently drops all of her courses in Module 2 during the break
• The student is considered withdrawn when she drops all the courses in Module 2, and the denominator of her R2T4 calculation will include all the days in Modules 1 and 2
  – Pell must be recalculated using only classes attended in Module 1 and only the recalculated amount is included in the R2T4 calculation
Withdrawal from Programs Offered in Modules: Example 3

- Bill is scheduled for classes in both Modules 1 and 2.
- Three weeks before the end of Module 1, he drops all courses in Module 2. Then he completes Module 1.
- The student is considered to have completed the period because he was not scheduled to attend other courses when he ceased attendance. No R2T4 calculation is required.
  - Pell must be recalculated using only classes attended in Module 1.

Module 1 | Break | Module 2

- Drops all courses in Module 2
- Completes Module 1
Written Confirmation of Intent to Return

For programs offered in modules, a student is not considered to have withdrawn if:

- For standard term programs, the institution obtains written confirmation that the student will return to attend a Title IV-eligible course within the same payment period.

- For non-term and nonstandard term programs, the institution obtains written confirmation AND the module the student is expected to attend begins no later than 45 calendar days after the end of the module the student ceased attendance.
Written Confirmation: Failure to Return

If a school obtains a written confirmation of future attendance but the student does not return as scheduled, the student is considered to have withdrawn from the payment period or period of enrollment.

In that case, the student’s withdrawal date and the total number of calendar days in the period are the same as those that would have applied if the student had not provided written confirmation of future attendance.
R2T4 – Additional Training

• Additional R2T4 training available at http://fsatraining.info
• Log in with username and password
• Go to “Learning Tracks” > “Managing Student Withdrawals”
R2T4 on the Web Tool

- Currently available through FAA Access
- Migrating to COD in 2019
  - Core-functionality and calculations will not change
  - Iraq-Afghanistan Service Grant will be included
  - “Override” functionality will be included for certain modular or nonterm credit hour situations

See Session 11 – COD System Update for information