Return of Title IV Funds (R2T4):

Basics

SASF AA Annual Conference
February 23-25, 2015

R2T4 Compliance Concerns

#1 Program Review and Audit finding …

R2T4 Problems
• Late Returns
• R2T4 Errors
• R2T4 not done

• One of the highest liability producing deficiencies

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 (34 CFR 668.21)
  • Student did not establish eligibility for any funds
  • All Title IV aid disbursed must be returned

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

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
• If attend one day, R2T4 applies
• 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

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

For discussion purposes only
Payment Period or Period of Enrollment

- Standard term-based program must use payment period (term)
- Nonstandard term or non-term 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

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

How the R2T4 Calculation Works

- Step One: The institution determines the precise 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

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
    - Perkins/FSEOG – made award
    - 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
    - Valid ISIR requirements

How the R2T4 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 Works – Credit Hour

- Step Two: The institution calculates the percentage of the period that was completed
  - NOTE: 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

For discussion purposes only
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: 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
  • UNLESS the institution can document that the student completed the period
• May develop a grading policy to assist with evaluation (F, U, FA, FW, etc…)

Unofficial Withdrawals
All “F” Test
• If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn
• UNLESS the institution can document that the student completed the period
• May develop a grading policy to assist with evaluation (F, U, FA, FW, etc…)

STEP 2: Withdrawal Date
School Not Required to Take Attendance
• Unofficial withdrawal
  • Student withdraws (drops out) without notifying the school; use:
    • Midpoint in period if student did not notify school or
    • If student didn’t notify due to circumstances beyond student’s control, the date related to that circumstance
      – illness, accident, grievous personal loss, etc.

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

Leave of Absence
• A leave of absence (LOA) is a temporary interruption in a program of study instead of a WD
• Conditions for an Approved LOA:
  • Formal written policy
    • Student followed the formal policy in requesting the LOA
    • There must be a reasonable expectation that the student will return from the LOA
    • The school must approve the requested LOA in accordance with its policy
    • The student may not be charged additional institutional charges
    • The number of days on an approved LOA cannot exceed 180 days within a 12-month period
    • Loan recipients must be told about the effects on their grace period if they do not return

*Usually not applicable to term-based programs

For discussion purposes only
Leave of Absence

• For non-term credit-hour programs — the student does not have to resume training at the same point the student began the LOA

• For standard term or non-standard term programs — the student must resume training at the same point the student began the LOA

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

Required to take Attendance

• If required to only take attendance for some of its’ students, the institution would use attendance records to determine withdrawal dates for those students

• If required to only take attendance for a limited time period, the institution would use attendance records to determine withdrawal dates during limited time period

• If required to take attendance on a specific date for census reporting requirements, the institution is NOT considered to be required to take attendance

• If faculty choose to take attendance (but not required), then school is NOT required to take attendance

Attendance

• Attendance at an academically-related activity

• Includes:
  • Physically attending class with direct interaction
  • Submitting academic assignment
  • Taking exam, interactive tutorial or computer-based instruction
  • Attending school assigned study group
  • Participating in online discussions about academic matters and/or initiating contact with faculty to ask questions about subject studied

Attendance

• Attendance at an academically-related activity

• Does NOT include:
  • Living in school housing
  • Using school meal plan
  • Academic counseling or advisement
  • Logging into an online course without active participation

• Student’s certification of attendance without school documentation is not acceptable

STEP 2: Withdrawal Date

School Required to Take Attendance -

• IF… An institution is required to take attendance by:
  • An outside entity (such as an accrediting or State agency) OR the institution itself requires instructors to take attendance (ALWAYS CLOCK HOUR PROGRAMS)
  • Either at the program/department/institutional level
  • An outside entity OR the institution has a requirement that can only be met by taking attendance

• THEN… withdrawal date is taken from attendance records
  • Always the last date of academic attendance

For discussion purposes only
How the R2T4 Calculation Works

- **Steps Three and Four**: The percentage completed 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.

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%

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

How the R2T4 Calculation Works

- **Step Five**: If a return is required, the institution determines the amount of unearned Title IV funds that it is required to return.
  - 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.

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

How the R2T4 Calculation Works

- **Step Six**: Once the institution determines the total amount of unearned Title IV aid that must be returned to the Department, the institution must return funds in the statutory order (i.e. loans, then grants).
Timeframe to Return Funds

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

**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

**Step 10: Return of Funds by Student**

- Any grant repayment due from student is considered an overpayment
- Student is responsible for repayment
  - Amounts of $50 or less in any program are set aside
  - Grant 50% protection
  - Law specifies order of Title IV programs to which funds must be returned

**Grant Overpayment**

- School must notify student within 30 days of school's determination of withdrawal
- Student retains Title IV eligibility for 45 days
- During that time, he must either:
  - Repay in full to school
  - Make satisfactory arrangements to repay with school (school's option)
  - Make satisfactory arrangements to repay with Department of Education
    - Student referred to ED within 45 days if not paid in full or no payment arrangements with school

**Post-Withdrawal Disbursements (PWD)**

- When Title IV aid disbursed is less than Title IV aid earned
- Must meet Late Disbursement rules
- Sample worksheet in FSA Handbook and in Participant Guide
- Box J on R2T4 Worksheet

**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

For discussion purposes only
Post-Withdrawal Disbursement of Grant Funds

- No student confirmation required
- Disbursed directly to student - as soon as possible, but no later than 45 calendar days after date of determination
- Disbursed as credit to account – within 180 days after date of determination

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

- Credit Balances
- Verification
- 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

Verification and R2T4

- If verification not complete within timeframe to meet R2T4 deadlines, school excludes aid subject to verification from calculation
- If verification is then completed after R2T4 deadlines but before verification deadlines, school must recalculate R2T4 including verified amounts as aid that could have been disbursed

Title IV Credit Balances

- Hold all Title IV Credit Balances until R2T4
- Credit Balance is “Aid Disbursed”
- Determine if Credit Balance changes because of a Refund Policy or R2T4
- Use Credit Balance to repay Grant on behalf of student
- Release Credit Balance within 14 days

FSEOG

- Three matching types:
  1. Individual recipient match – 75% of FSEOG funds are matched with 25% of qualified nonfederal funds
  2. Aggregate match - the school ensures that the sum of all FSEOG disbursed consists of 75% federal dollars and 25% of qualified nonfederal dollars on the aggregate basis, rather than by the individual. As a result, Student A with a large amount of qualified nonfederal dollars may be the match for several other FSEOG recipients
  3. Fund-specific match – the school establishes an account and deposits the FSEOG allocation at the same time the qualified nonfederal funds are deposited. Once comingled the differentiation cannot be determined, instead it is a “mixed fund”
**Case Study – Richard Sherman**

- **Other information**
  - Richard never officially withdraws
  - At the end of the term, the institution discovers that he failed all of his courses
  - On Dec 16th after faculty are consulted the office responsible for R2T4 determined that the last time Richard was at an academically-related event was Oct 10th
  - Payment period start date = September 1
  - Payment period end date = December 9
  - 50% point = October 20
  - Date of Determination = December 16th

**Case Study – Steps 2 & 3**

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

<table>
<thead>
<tr>
<th>Start Date</th>
<th>Enrollment</th>
<th>Date of Withdrawal</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/01</td>
<td>12/07</td>
<td>10/20</td>
</tr>
</tbody>
</table>

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box A and proceed to Step 3. On the school may rely on the student's last attendance date at the school or the date of withdrawal as reported by the student or the date of determination as calculated by the student's school.

**Students who fail all of their courses will be considered to have withdrawn if the last time they attended was more than 60% of the days in the payment period.**

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

- If the student withdrew before 60% of the payment period, the student is required to return a portion of the Title IV aid.
- If the student withdrew after 60% of the payment period, the student is not required to return any Title IV aid.

**Case Study – Steps 4 & 5**

**STEP 4:** Total Title IV Aid to be Determined or Returned

- If the amount in Box A is greater than the amount in Box E go to Step 5 (Partial withdrawal)
- If the amount in Box A is less than the amount in Box E go to Title IV aid to be returned (Step 7)
- If the amount in Box A and Box E are equal, Stop (no action necessary)
- **J.S.**

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

**Student's Name:** Richard Sherman

**Tuition & Fees:** $4,000/semester
- Pell Grant: $2,750/semester
**Room:** $1,000/semester
- FSEOG: $2,000/semester
**Board:** $1,000/semester
- Net Unsub DL: $1,930/semester
**Books & supplies:** $500/semester

**Case Study – Step 1**

**COA Profile:**
- Title IV Award Profile:
  - Tuition & Fees: $4,000/semester
  - Room: $1,000/semester
  - Board: $1,000/semester
  - Books & supplies: $500/semester

**R2T4 Basics**

**FSEOG**

- Type A = only the 75% Federal portion of the award goes into the R2T4 calculation
  - Individual recipient match
  - Aggregate match
- Type B = 100% of the FSEOG award is used in the R2T4 calculation
  - Fund-specific match
**R2T4 Basics**

**Case Study – Step 6**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box C) by repaying funds to the following sources, in order, up to the total net amount disbursements from each source.

<table>
<thead>
<tr>
<th>Title IV Programs</th>
<th>Amount to Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unsubsidized FPEI/Direct Stafford Loan</td>
<td>( P ) $1,930.00</td>
</tr>
<tr>
<td>2. Subsidized FPEI/Direct Stafford Loan</td>
<td>( Q ) $90.00</td>
</tr>
<tr>
<td>3. Perkins Loan</td>
<td>1,930.00</td>
</tr>
<tr>
<td>4. FPEI/Direct PLUS (Graduate Student)</td>
<td>1,930.00</td>
</tr>
<tr>
<td>5. FPEI/Direct PLUS (Parent)</td>
<td>1,930.00</td>
</tr>
</tbody>
</table>

**Case Study – Steps 7 & 8**

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

From the amount of Title IV aid to be returned (Box C), subtract the amount for the school to return (Box Q).

\[
\text{Amount to be returned} = P - Q = P - 90 = R
\]

**STEP 8: Repayment of the Student’s Loans**

From the total loans disbursed to the student (Box B), subtract the total loans the school must return (Box R) to find the amount of Title IV funds the student is still responsible for repaying (Box B). These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower’s promissory note.

\[
\text{Net Amount to be repaid} = B - R = B - 90 = S
\]

**R2T4 on the Web (R2T4 OTW)**

**Welcome to the FAA Main Menu**

Select one of the following links to begin. To begin, you will need to provide a TIP/ID to your institution.

**Sign up for R2T4 OTW:**

- **Signup via SAIG Enrollment website**
  - [https://fsawebenroll.ed.gov/PMEnroll/index.jsp](https://fsawebenroll.ed.gov/PMEnroll/index.jsp)
- **The R2T4 Web Application will be available via FAA Access**
- **Set up a simple school profile one or two popular programs and academic calendar; do not try to build costs for each program**
- **Track post-withdrawal disbursement notification**

**Resources/References**

- FSA Handbook, Vol. 5, Chapter 2
- 34 CFR 668.22
- Dear Colleague Letters - GEN-04-03; GEN-11-14
- FSA Assessments
- R2T4 website through FAA Access to CPS Online
- R2T4 Demo Site available at
- 10/29/10 Federal Register
  - Final – Program Integrity

For discussion purposes only
Contacts

• Atlanta School Participation Team
  – MS, AL, FL, GA, NC, SC
  – Main Number: 404-974-9303/9335
  – Laura Hall (IIS) – 404-974-9293
  – Cassandra Weems (IIS) 404-974-9305
• Atlanta Training Officers
  – MS, AL, FL, GA, NC, SC, KY, TN
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Contacts

• Kansas School Participation Team – KY, TN
  – Main Number: 816-268-0410
  – Jim Wyant (IIS) – 816-268-0431
• Philadelphia School Participation Team – VA
  – Main Number: 215-656-6442
  – Joe Kern (IIS) – 215-656-8566
• Philadelphia Training Officers - VA
  – Amber Johnson – 215-656-5998
  – Craig Rorie – 215-656-5916
  Email: firstname.lastname@ed.gov

Training Feedback

To ensure quality training we ask all participants to please fill out an online session evaluation
• Go to http://s.zoomerang.com/s/DavidBartnicki
  • Evaluation form is specific to David Bartnicki
• This feedback tool will provide a means to educate and inform areas for improvement and support an effective process for “listening” to our customers
• Additional feedback about training can be directed to annmarie.weisman@ed.gov

Questions?

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