


R2T4

Return of Title IV Funds (R2T4)

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

KASFAA
October 12-14, 2011




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**


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Basic Premise

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


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R2T4 Applicability

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


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R2T4 Concept

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

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Consumer Information

School must provide to prospective and current students:

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

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Date School Determined Student Withdrew

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

Date clock starts ticking for returns, notifications and PWD

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

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

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

Date used to determine percentage of TIV aid earned

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

**Usually not applicable to term-based programs*

R2T4

STEP 2: Withdrawal Date

School *Not* Required to Take Attendance

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

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STEP 2: Withdrawal Date **NEW**

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
 - 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

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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

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Required to take Attendance

- Attendance 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*

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Required to take Attendance

- Attendance at an academically-related activity
 - Does **NOT** include:
 - Living in school housing
 - Using school meal plan
 - *Logging into an online course without active participation*
 - Academic counseling or advisement
 - Student's certification of attendance without school documentation is not acceptable

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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...)

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Step 2 - Calendar Days Credit-Hours

Count every day, including weekends and holidays, except:

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

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Step 2 - 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

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Rounding Rules for Percentages

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

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Rounding Rules for Dollar Amounts

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

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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

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Timeframe to Return Funds

- Return funds to Direct Loan program as soon as possible, but no later than **45 calendar days** after the *date of determination of withdrawal*
 - Calculation must be completed within **30 calendar days** of the *date of determination of withdrawal*
 - Law specifies order of Title IV programs to which funds must be returned

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Step 8: Repayment of Student's Loans

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

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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

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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

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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

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Notification of PWD

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

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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

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PWD - Loan Funds

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

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Withdrawing from Term-Based Programs with Modules/Compressed Courses

OLD RULE

If enrolled in mini-terms within a term, if a student completes at least one course, student NOT considered to be withdrawn for TIV purposes (no R2T4)

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Programs with Modules

New Regulations

- Student considered to be withdrawn if:
 - For credit hours, did not complete *all the days* in the payment period or period of enrollment student was *scheduled* to complete
 - EVEN IF COMPLETED A COURSE

GEN-11-14 provides a series of Q & As and examples in reference to the new R2T4 regs

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Program Definitions

- New rules define a program “offered in modules”
 - A course or courses in program do not span entire length of payment period or period of enrollment
- Doesn’t matter what “modules” are called at the institution

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Programs with Modules

New Regs

- For a payment period or period of enrollment where courses are offered in modules –
 - A student is NOT considered to have withdrawn if obtain timely positive written confirmation (can be electronic) from student *at the time that would have been a withdrawal* that will attend a later module in same PP/PE
 - If nonterm or nonstandard, next module must start within 45 calendar days after the end of module the student ceased attending (unless on approved LOA)

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Programs with Modules

New Regs

- If obtained written confirmation for future attendance:
 - Student *may change date* of return to a later module in the same PP or PE as long as –
 - Provided in writing *prior* to the original return date
 - If nonterm or nonstandard, the later module cannot begin later than 45 days after end of the module ceased attending
 - If a student does not receive a passing grade in the course(s) in the last module, school must demonstrate student completed module

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Programs with Modules New Regs

- If student does not return as scheduled –
 - Considered withdrawn
 - *Withdrawal date and total number of calendar days* are those that would have applied if written confirmation not provided
 - Courses officially dropped *prior* to ceasing attendance are NOT days student scheduled to attend unless still enrolled in other courses on those days
 - Total number of days in a PP or PE in which courses are offered in modules - do NOT include scheduled breaks of at least 5 days when the student is not scheduled to attend a module or course during that period

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Programs with Modules New Regs

- To determine if student in a program with modules has withdrawn - ask 3 questions:
 - (1) Did student cease to attend or fail to begin attendance in a course scheduled to attend? (if yes, go to question 2)
 - (2) When ceased to attend or failed to begin attendance in a scheduled course, was the student attending other courses? (if no, go to question 3)
 - (3) Did the student confirm attendance in a later module in the PP or PE (45 day rule if applicable)
 - If NO, student is a withdrawal

**Please note: if not a withdrawal,
Pell recalculations may apply**

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Programs with Modules New Regs - (“undo” R2T4)

- If student withdraws from term-based credit-hour program offered in modules during a PP/PE and
 - *Reenters the same program prior to the end of the period* (did not confirm but comes back)
 - Student is eligible to receive any Title IV funds for which he or she was eligible prior to withdrawal, including funds that were returned by the institution or student (***with no adjustment required for partial attendance of a prior module***)
 - However, Pell recalculations required if did not start all classes (did not attend an entire prior module)

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Transition Timeframe

- Electronic Announcement 5/6/11:
 - New R2T4 rules apply to students who withdraw from payment periods (terms) or periods of enrollment that BEGIN ON OR AFTER July 1, 2011.
 - The new rules do NOT apply to students who withdraw from a 2011 crossover payment period
 - Even if the student received Title IV, HEA program funds from the 2011-2012 award year for that crossover payment period.

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Special Circumstances

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

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Resources/References

- FSA Handbook, Vol. 5, Chapter 2
- 34 CFR 668.22
- Dear Colleague Letters - GEN-04-03; GEN-11-14
- FSA Assessments
 - <http://www.ifap.ed.gov/qahome/fsaassessment.html>
- R2T4 website through FAA Access to CPS Online
- R2T4 Demo Site available at
 - <http://fafsdemo.test.ed.gov>
- 10/29/10 Federal Register
 - Final – Program Integrity

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GO FURTHER
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