

# Session #46

**R2T4 – Back to Basics**

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FEDERAL STUDENT AID<sup>®</sup>

# The Laws & Regulations

- Section 484B of the HEA
  - Enacted October 7, 1998, as part of the Higher Education Amendments of 1998
- Final Reg published November 1, 1999
- Dear Colleague Letter GEN-00-24
- Final Reg published November 1, 2002
- Dear Colleague Letter GEN-04-03
- Dear Colleague Letter GEN-04-12
- Dear Colleague Letter GEN-05-16
- Final Reg published October 29, 2010
- Dear Colleague Letter GEN-11-14

# The Return to Title IV Funds Rule

- An institution is required to determine the earned and unearned portion of Title IV aid when a student ceases enrollment prior to the planned completion date
  - **NOTE:** Up through 60% of the Payment Period (PP) or Period of Enrollment (POE) an otherwise eligible student earns Title IV aid on a pro rata basis. After 60% student has earned 100% of TIV aid
  - **ALSO:** The *return* calculation is still required even if the student has earned 100%, to determine whether a post-withdrawal disbursement is required



# Earned Funds

- If the amount of the Earned Title IV funds exceeds the amount that has been disbursed, the difference is due the student as a “Post-Withdrawal Disbursement” (PWD)

# Making a PWD/Late Disbursement

- Student Withdrew (668.164(g)(3)(i))
  - Institution MUST
    - Make (offer) any PWD
    - If outstanding institutional charges may credit student's account for
      - Tuition and fees
      - Room & board (if contracted with the institution)
      - Authorized educationally-related expenses
- Less than ½ Time (668.164(g)(3)(iii))
  - May disburse initial DL disbursement
  - Inst. determines the amount of the late disbursement based upon educational costs for period student was eligible



# Unearned Funds 46

- Unearned Title IV funds that are the responsibility of the INSTITUTION
  - Must be returned to the Title IV programs no later than 45 days after the date of determination that the student withdrew

# Unearned Funds- School's Responsibility

- Institution MUST return funds within 45 days of the date of determination
- Other Title IV funds – are returned to the program accounts or the lender

# Cash Management- FYI (will be in the Handbook)

- Schools prohibited from allowing Title IV funds to escheat
  - Credit balances and post-withdrawal disbursements
  - School must ensure that Title IV funds are used only for educational purposes intended
  - Funds cannot escheat to a third party (state or institutional coffers)
  - Must have a process to identify un-negotiated checks and return the funds to the Title IV programs

# Unearned Funds- Student's Responsibility

- Unearned Title IV funds that are the responsibility of the STUDENT
  - If loan funds, they can be repaid under terms of the promissory note
  - If grant funds, they are subject to a 50% reduction and the student may make satisfactory arrangements to repay



# Payment Period or Period of Enrollment

- For a standard term based program, the institution must use the payment period
- For a non-term or non-standard 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

Example #1: Student leaves after 23 days in the first term of a two-term academic year.

PAYMENT PERIOD		PERIOD OF ENROLLMENT	
Total # of Days:	100	Total # of Days:	200
# of Days Completed	23	# of Days Completed	23
	-----		-----
% Earned	0.23	% Earned	0.115
Total TIV AID Disb'd or Could Have Been Disb'd	2000	Total TIV AID Disb'd or Could Have Been Disb'd	4000
	-----		-----
Amt Earned	460	Amt Earned	460
Amt Unearned	1540	Amt Unearned	3540



# Payment Period or Period of Enrollment

**Example #2: Student leaves after 21 days in the second term of a two-term academic year.**

## PAYMENT PERIOD

## PERIOD OF ENROLLMENT

Total # of Days: 100  
 # of Days Completed 21

Total # of Days: 200  
 # of Days Completed 121

-----  
 Calculate % 0.21  
 % Earned (If > 60%, earned = 100%) 0.21

-----  
 % Earned (If > 60%, earned = 100%) 0.605  
 1

Total TIV AID Disb'd or  
 Could Have Been Disb'd 2000

Total TIV AID Disb'd or  
 Could Have Been Disb'd 4000

-----  
 Amt Earned 420

-----  
 Amt Earned 4000

Amt Unearned 1580

Amt Unearned 0



# Approved Leave of Absence (LOA)

- The previous limit to only one LOA in 12 months was eliminated in the November 1, 2002 final regulations
- Total leave days cannot exceed 180 in any 12-month period
- The institution must have a formal policy that the student and institution follow



# The Institution Must

- Determine date of student's withdrawal
- Calculate percent of period completed
- Determine amount earned by applying percent completed to total of amounts disbursed and amounts that could have been disbursed
- Return unearned funds to Title IV programs, or pay student post-withdrawal disbursement
- Determine Title IV overpayment, if any

# Institutions Required to Take Attendance

- Must use official attendance records
- An institution is required to take attendance if an outside entity (such as an accreditor or state agency) has a requirement, that the institution take attendance, the institution has a requirement that its instructors take attendance, or the institution or the outside entity have a requirement that could only be met by attendance taking
- Could apply to a subset of students
- Could apply for a short period of time

# Required to Take Attendance

- Subset of Students
  - Outside agency provides a scholarship for 10 students
  - Requires attendance taking for the cohort
  - If one of these students withdraws, withdrawal date = last date of attendance
- Short Period of Time
  - State requires continuous attendance taking for 1<sup>st</sup> 10 days of class for resident students
  - If a resident withdraws within the first 10 days, withdrawal date = last date of attendance



# Institutions Not Required to Take Attendance

- Not required to take attendance by an outside entity
  - Most institutions fit into this category

# Institutions Not Required to Take Attendance

- Withdrawal Date Is
  - Date student began the formal withdrawal process or notified...
  - Mid-point, if no notification
  - Date of illness, accident, etc.
  - Beginning of an approved LOA if student does not return
  - Last date at an academically-related activity



# Academically-Related Activity

- 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



# Academically-Related Activity

- Examples of academically-related activities are
  - Examinations or quizzes,
  - Tutorials,
  - Computer-assisted instruction,
  - Completing an academic assignment, paper or project,
  - Attending a school assigned study group

# Academically-Related Activity

- Does not include –
  - Living in institutional housing
  - Participating in the meal plan
  - Logging into an online class w/o active participation
  - Academic counseling or advisement



# Institutions Not Required to Take Attendance

- Date of Determination of Withdrawal Is
  - Later of withdrawal date or date student provided official notification
  - If no notification, the date that the institution became aware of the withdrawal
  - The earlier of the end of approved Leave of Absence (LOA) if student does not return or the date the student contacted the school

# Institutions Not Required to Take Attendance

- If the student withdraws WITHOUT NOTIFICATION, then the institution must make a determination of the withdrawal date
  - No later than 30 days after the earlier of
    - the end of the payment period or period of enrollment,
    - the end of the academic year, or
    - the end of the student's educational program

# 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

# Aid that Could Have Been Disbursed

- Old Policy -- Aid must have been able to have been disbursed during period. Did not include
  - Second loan disbursement, or
  - Loan within first 30 days
- Revised Policy -- All aid for period, if conditions for late disbursement were met before the student withdrew (668.164(g)(2))
- However, if limitations apply, that aid may not be paid to the student (668.164(g)(4))

# Conditions for a Late Disbursement

- All Student Aid (including Pell) - ED processed SAR/ISIR with official (not necessarily a valid) EFC
- Direct Loan – Institution originated the loan
- Perkins/FSEOG - Institution made the award

## Limitations on Making a Late Disbursement

- No second or subsequent disbursements of DL, unless student completes the period
- No DL unless student completes the 30-day delay period
- No Pell Grant without a valid SAR/ISIR by the deadlines in the Federal Register
- No additional Pell Grant if first payment period is not completed
- No second disbursements of DL unless student passes the midpoint or completes half the coursework



# Importance of Aid that Could Have Been Disbursed

- If total aid (Aid That Could Have Been Disbursed plus Aid Disbursed) is greater, the amount earned will be greater
- Results in a smaller amount to be returned, or in a post-withdrawal disbursement
- Remember - Aid must correspond to the period for which you are doing the Return Calculation (Apples to Apples)

# Aid that Could Have Been Disbursed

## Old Rule – Period of Enrollment Basis

Length of Period = 1000 hours

Aid for Period = \$4,000 (\$2,000 Pell; \$2,000 DL)

Disbursed = \$2,000 (\$1,000 Pell; \$1,000 DL)

Student Withdrew after 400 hours

Not Disbursed = \$2,000

Aid That Could Have Been Disbursed = \$0

Student Completed 40% of period

Amount Earned = \$800 (40% x \$2,000)

Amount to be Returned = \$1,200

# Aid that Could Have Been Disbursed

## New Rule – Period of Enrollment Basis

Length of Period = 1000 hours

Aid for Period = \$4,000 (\$2,000 Pell; \$2,000 DL)

Disbursed = \$2,000 (\$1,000 Pell; \$1,000 DL)

Student Withdrew after 400 hours

Not Disbursed = \$2,000

Aid That Could Have Been Disbursed = \$2,000

Student Completed 40% of period

Amount Earned = \$1,600 (40% x \$4,000)

Amount to be Returned = \$400

# Aid That Could Have Been Disbursed

## New Rule – Period of Enrollment Basis

Length of Period = 1000 hours

Aid for Period = \$4,000 (\$2,000 Pell; \$2,000 DL)

Disbursed = \$1,000 (\$1,000 Pell; \$0 DL)

Student Withdrew after 400 hours

Not Disbursed = \$3,000

Aid That Could Have Been Disbursed = \$3,000

Student Completed 40% of period

Amount Earned = \$1,600 (40% x \$4,000)

Amount of PWD = \$600 (DL)

# Aid That Could Have Been Disbursed

## New Rule – Period of Enrollment Basis

Length of Period = 1000 hours

Aid for Period = \$4,000 (\$2,000 Pell; \$2,000 DL)

Disbursed = \$1,000 (\$0 Pell; \$1,000 DL)

Student Withdrew after 400 hours

Not Disbursed = \$3,000

Aid That Could Have Been Disbursed = \$3,000

Student Completed 40% of period

Amount Earned = \$1,600 (40% x \$4,000)

Amount of PWD = \$600 (Pell)

# Aid That Could Have Been Disbursed

## New Rule – Period of Enrollment Basis

Length of Period = 1000 hours

Aid for Period = \$4,000 (\$2,000 Pell; \$2,000 DL)

Disbursed = \$3,000 (\$2,000 Pell; \$1,000 DL)

Student Withdrew after 601 hours

Not Disbursed = \$1,000

Aid That Could Have Been Disbursed = \$1,000

Student Completed >60% of period

Amount Earned = \$4,000 (100% x \$4,000)

Amount of PWD = Instead of \$1,000; its \$0

# Aid That Could Have Been Disbursed (Example A)

- First-time, first-year student starts class on Sept. 1 and withdraws on Sept. 28 and Stafford loan for \$1,000 that has been originated has not been disbursed because of the 30-day delay rule
  - Include the \$1,000 loan as funds 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 has not been in attendance for at least 30 days



# Aid That Could Have Been Disbursed (Example B)

- Second-year student starts class on Sept. 1 and withdraws on Sept. 28 and Stafford loan for \$1,000 that has been originated has not been disbursed because of a processing delay or school choice
  - Include the \$1,000 loan as funds that “Could Have Been Disbursed”
  - A portion of these funds could be disbursed under a post-withdrawal disbursement because the student is not covered by the 30-day delay rule



# Aid That Could Have Been Disbursed (Example C)

- Student in a 900 clock hour program that uses period of enrollment for R2T4 withdraws after completing only 300 clock hours. First \$1,312 of loan has been disbursed
  - Include the \$1,312 that has been disbursed AND the remaining \$1,313 as “Aid That Could Have Been Disbursed”
  - BUT, no additional loan funds can be disbursed because subsequent loan disbursements cannot be made for students who do not complete the period



# Aid That Could Have Been Disbursed (Example D)

- Student in a 900 clock hour program that uses payment period for R2T4 withdraws after completing only 300 clock hours. First \$1,312 of loan has been disbursed
  - Include the \$1,312 that has been disbursed, BUT do not include the remaining \$1,313 as “funds that could have been disbursed” since those funds were for a different period

# Verification

- Must complete R2T4 within 45 days
- If Verification not completed
  - Return Interim Disbursements of aid subject to verification
  - Include Unsubsidized and PLUS loans in R2T4
- If Verification completed later, but within Verification timelines
  - School must perform new R2T4 calculation using additional eligible aid



# No Passing Grades

- School must have a process for determining if student completed
- At least one passing grade...
- No passing grade, institution must document completion of period
- Grading Policy that differentiates between Failing, Completed; and Failing, Did Not Complete

# Date of Determination for Schools Required to Take Attendance

- Usually no later than one week after last date of attendance
- Based on Attendance Records
- Date of Official Notification (if prior to that)
- After end of school's Absence Policy

# ED's Free R2T4 Software on the Web

Sign up for R2T4 OTW

- Signup via SAIG Enrollment website
  - <https://www.fsawebenroll.ed.gov/PMEnroll/>
- The R2T4 Web Application will be available via FAA Access
  - <https://fafsa.ed.gov/faa/faa.htm>
- 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

# Questions???



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# Contact Information for Dan Klock

THANK YOU !

I appreciate your feedback & comments.

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