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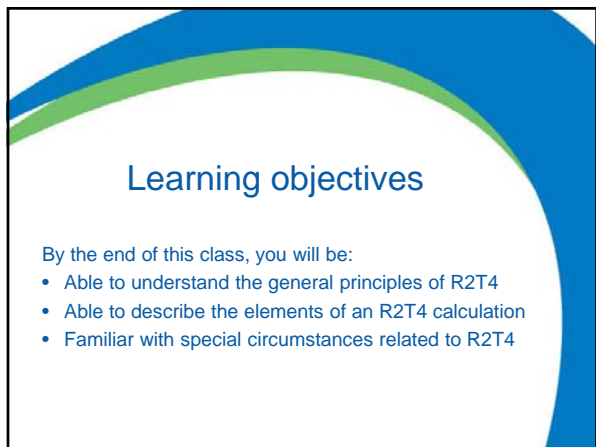
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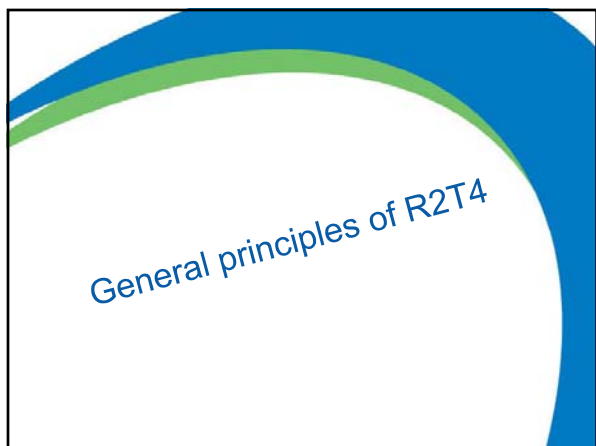
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**General principles of R2T4**

Student is entitled to the amount of Title IV funds student earned as of his/her withdrawal date

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**General principles of R2T4**

- If student earned less funds than he/she received, must return unearned funds to Title IV programs
- If student earned more funds than he/she received, must offer a post-withdrawal disbursement

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**When is R2T4 applicable?**

- Applies to student who begins and then ceases attendance in all classes prior to the scheduled end of the period
- Does not apply to student who drops hours, even to less-than-half-time enrollment
- Does not apply to student who never begins attendance or is expelled before first class day

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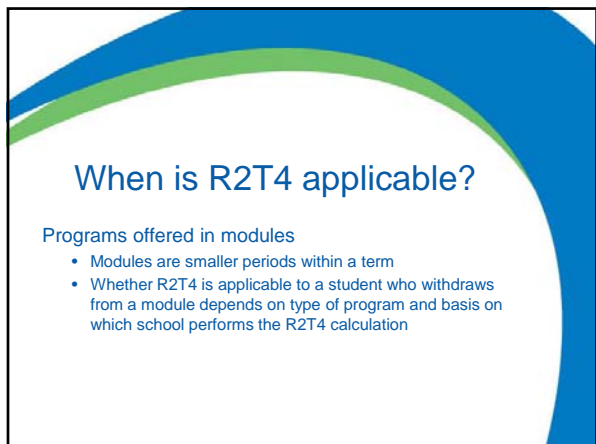
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### When is R2T4 applicable?

Programs offered in modules

- Modules are smaller periods within a term
- Whether R2T4 is applicable to a student who withdraws from a module depends on type of program and basis on which school performs the R2T4 calculation

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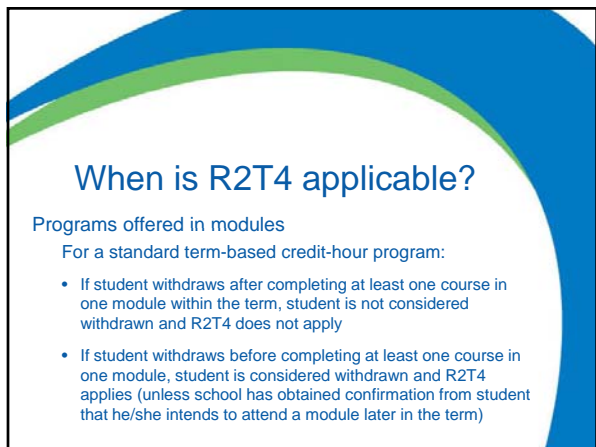
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### When is R2T4 applicable?

Programs offered in modules

For a standard term-based credit-hour program:

- If student withdraws after completing at least one course in one module within the term, student is not considered withdrawn and R2T4 does not apply
- If student withdraws before completing at least one course in one module, student is considered withdrawn and R2T4 applies (unless school has obtained confirmation from student that he/she intends to attend a module later in the term)

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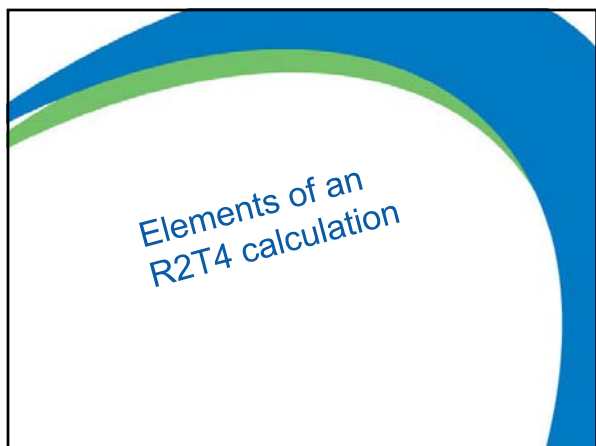
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### Elements of an R2T4 calculation

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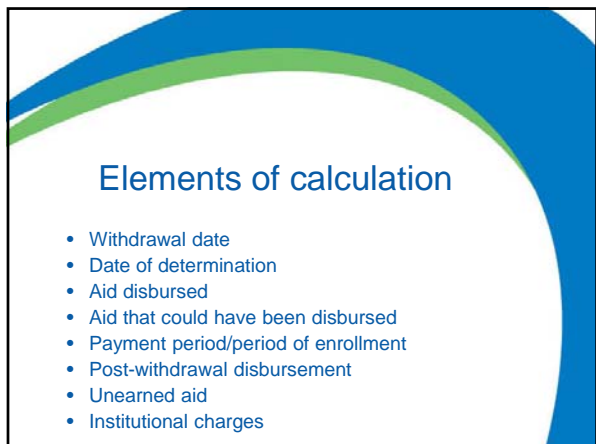
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### Elements of calculation

- Withdrawal date
- Date of determination
- Aid disbursed
- Aid that could have been disbursed
- Payment period/period of enrollment
- Post-withdrawal disbursement
- Unearned aid
- Institutional charges

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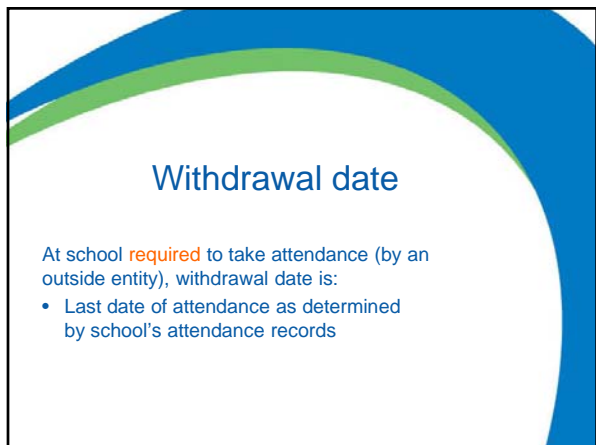
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### Withdrawal date

At school **required** to take attendance (by an outside entity), withdrawal date is:

- Last date of attendance as determined by school's attendance records

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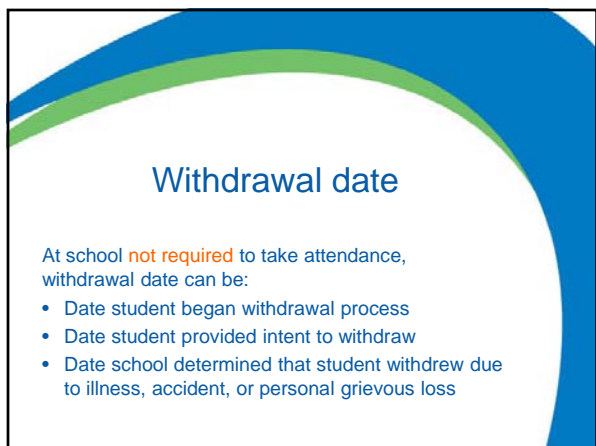
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### Withdrawal date

At school **not required** to take attendance, withdrawal date can be:

- Date student began withdrawal process
- Date student provided intent to withdraw
- Date school determined that student withdrew due to illness, accident, or personal grievous loss

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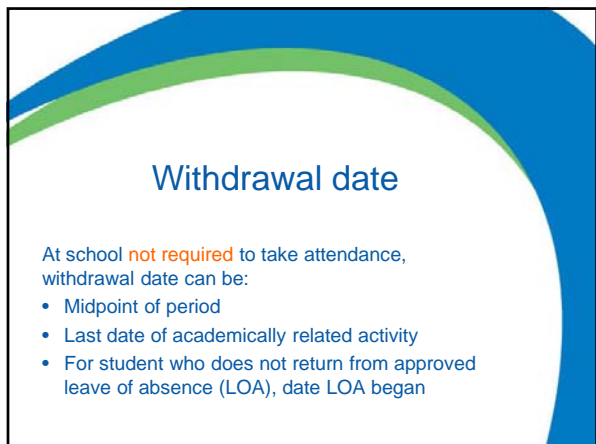
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### Withdrawal date

At school **not required** to take attendance, withdrawal date can be:

- Midpoint of period
- Last date of academically related activity
- For student who does not return from approved leave of absence (LOA), date LOA began

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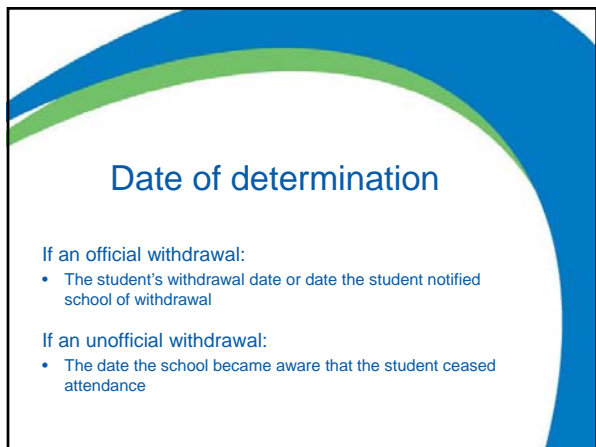
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### Date of determination

If an official withdrawal:

- The student's withdrawal date or date the student notified school of withdrawal

If an unofficial withdrawal:

- The date the school became aware that the student ceased attendance

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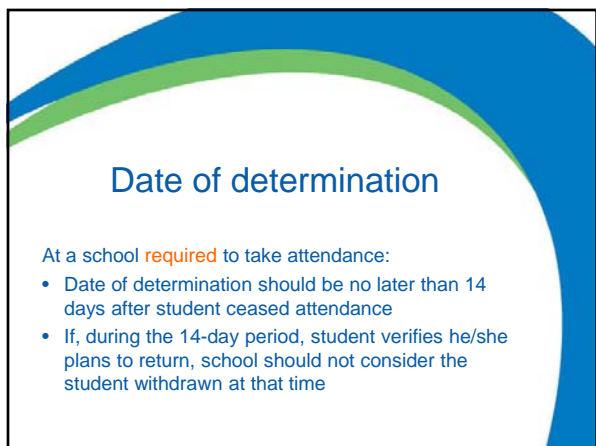
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### Date of determination

At a school **required** to take attendance:

- Date of determination should be no later than 14 days after student ceased attendance
- If, during the 14-day period, student verifies he/she plans to return, school should not consider the student withdrawn at that time

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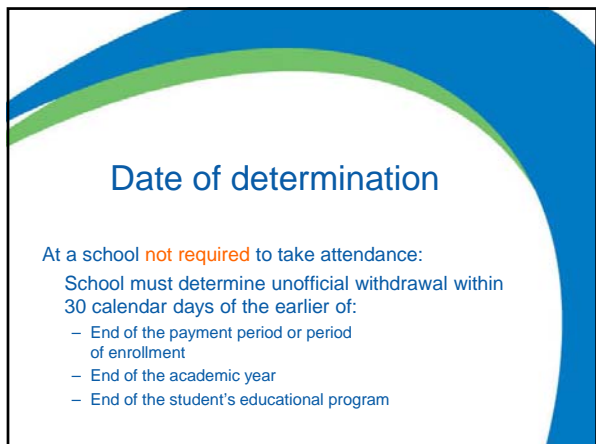
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### Date of determination

At a school **not required** to take attendance:  
School must determine unofficial withdrawal within 30 calendar days of the earlier of:

- End of the payment period or period of enrollment
- End of the academic year
- End of the student's educational program

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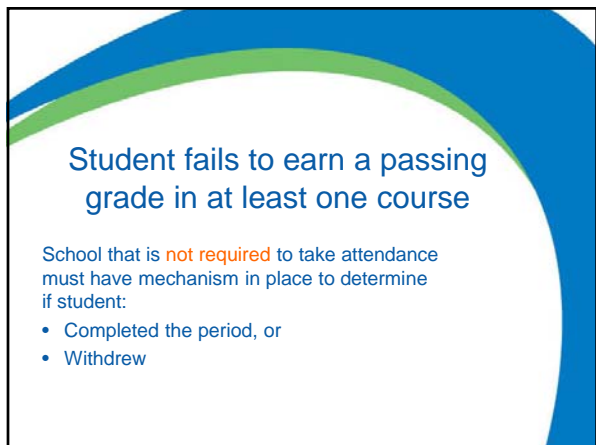
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### Student fails to earn a passing grade in at least one course

School that is **not required** to take attendance must have mechanism in place to determine if student:

- Completed the period, or
- Withdrew

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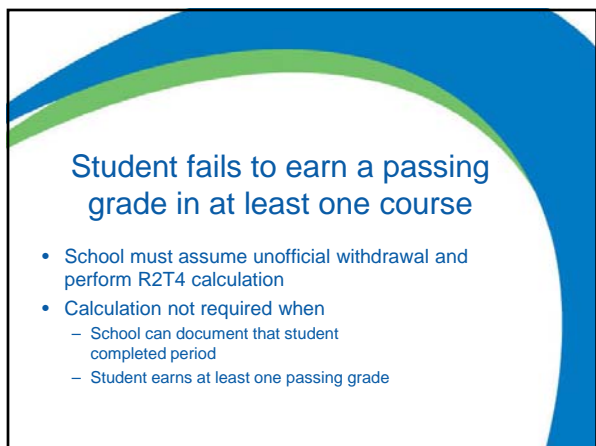
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### Student fails to earn a passing grade in at least one course

- School must assume unofficial withdrawal and perform R2T4 calculation
- Calculation not required when
  - School can document that student completed period
  - Student earns at least one passing grade

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### Reason for date of determination

Triggers the timeframes for:

- Offering the student or parent a post-withdrawal disbursement (PWD) (30 days)
- Notifying student of overpayment due (30 days)
- Delivering a PWD of grant funds directly to the student (45 days)
- Returning unearned Title IV funds for which the school is responsible (45 days)
- Delivering a post-withdrawal disbursement of loan funds (180 days)

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### R2T4 timeline

**School must have:**

- Offered any PWD the student has earned
- Notified student of any overpayment due

**School must have:**

- Returned any unearned funds for which school is responsible
- Delivered any PWD of grant funds directly to the student

**School must have:**

- Delivered any PWD of loan funds student/parent accepts

30 days

45 days

180 days

School determines that student withdrew

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### Aid disbursed

Funds that were delivered as of date school became aware that student withdrew

Must have been:

- Credited to student's school account, or
- Given directly to student or parent

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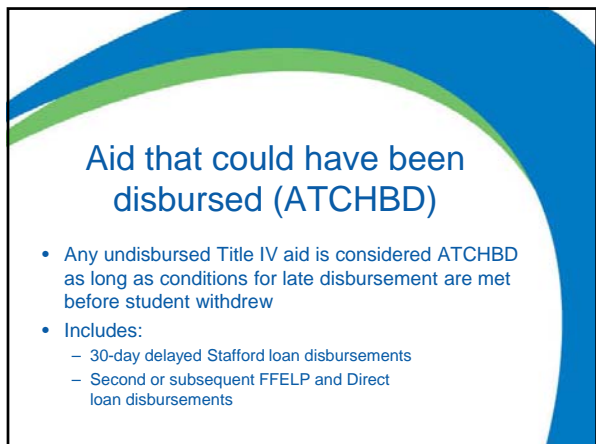
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### Aid that could have been disbursed (ATCHBD)

- Any undisbursed Title IV aid is considered ATCHBD as long as conditions for late disbursement are met before student withdrew
- Includes:
  - 30-day delayed Stafford loan disbursements
  - Second or subsequent FFELP and Direct loan disbursements

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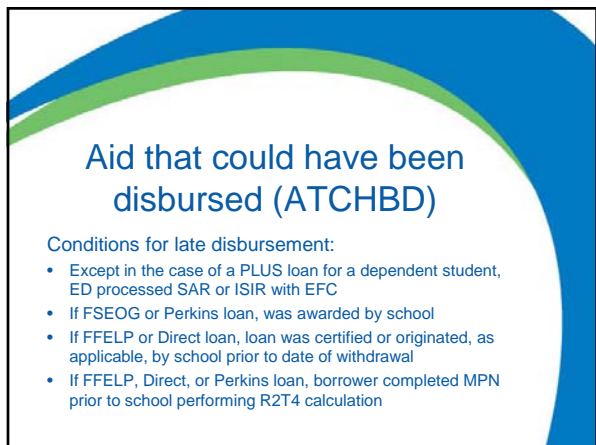
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### Aid that could have been disbursed (ATCHBD)

Conditions for late disbursement:

- Except in the case of a PLUS loan for a dependent student, ED processed SAR or ISIR with EFC
- If FSEOG or Perkins loan, was awarded by school
- If FFELP or Direct loan, loan was certified or originated, as applicable, by school prior to date of withdrawal
- If FFELP, Direct, or Perkins loan, borrower completed MPN prior to school performing R2T4 calculation

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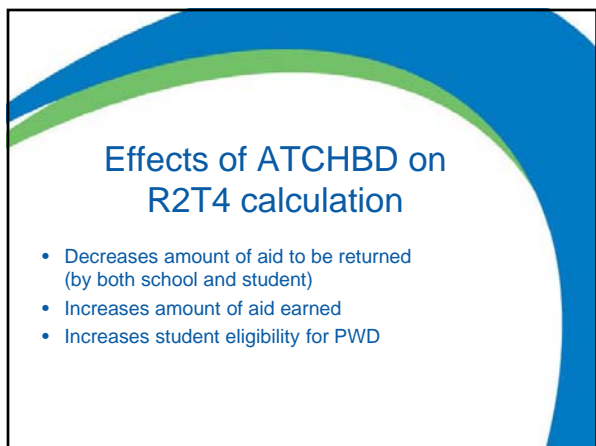
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### Effects of ATCHBD on R2T4 calculation

- Decreases amount of aid to be returned (by both school and student)
- Increases amount of aid earned
- Increases student eligibility for PWD

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### Example that shows benefits of using ATCHBD in calculation

- Student is awarded \$2155 Pell grant and \$1750 subsidized Stafford loan for fall semester
- Student's institutional charges are \$2000
- Student begins attendance; Pell is disbursed
- Student withdraws, having earned 25% of aid
- Stafford loan is not yet disbursed

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### Example of benefits of using ATCHBD in calculation, cont'd.

School performs calculation using Pell as aid disbursed	School performs calculation using Pell as aid disbursed and Stafford as aid that could have been disbursed
Result: Amount that must be returned to Pell program is: <ul style="list-style-type: none"><li>• \$1500 (school) and</li><li>• \$116.25 (student)</li></ul>	Result: Amount that must be returned to Pell program is: <ul style="list-style-type: none"><li>• \$1178.75 (school)</li><li>• \$0.00 (student)</li></ul>

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### Inadvertent overpayment

- Occurs when school unknowingly disburses funds to student who is no longer in attendance
  - Is counted as ATCHBD in R2T4 calculation
  - May happen in "student fails to earn passing grade in at least one course" scenario
- ED has said it will review for a pattern or practice of inadvertent overpayments

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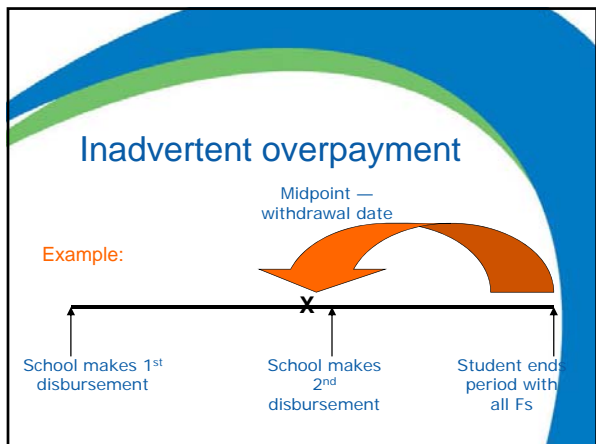
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### Use of loan funds in R2T4 calculation

Remember to use net amounts (without the origination and federal default fees), not gross amounts, in the calculation

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### Payment period/period of enrollment

Which one do I use?

- Standard term-based credit-hour programs must use payment period
- Nonstandard term-based and non-term-based credit-hour, and clock-hour programs may use either payment period or period of enrollment

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Percentage of payment period/period of enrollment completed — credit-hour

Divide:

$$\frac{\text{\# of calendar days completed in period*}}{\text{\# of calendar days in period*}}$$

\*Exclude scheduled breaks of 5 or more days

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Percentage of payment period/period of enrollment completed — clock-hour

Divide:

$$\frac{\text{\# of clock hours scheduled to be completed in period}}{\text{\# of clock hours in period}}$$

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Percentage of Title IV aid earned

- If at or below 60%, equal to percentage of period completed
- If over 60%, student has earned 100% of Title IV funds

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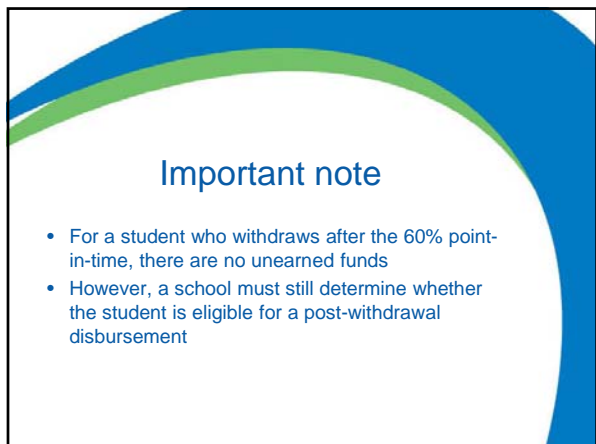
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### Important note

- For a student who withdraws after the 60% point-in-time, there are no unearned funds
- However, a school must still determine whether the student is eligible for a post-withdrawal disbursement

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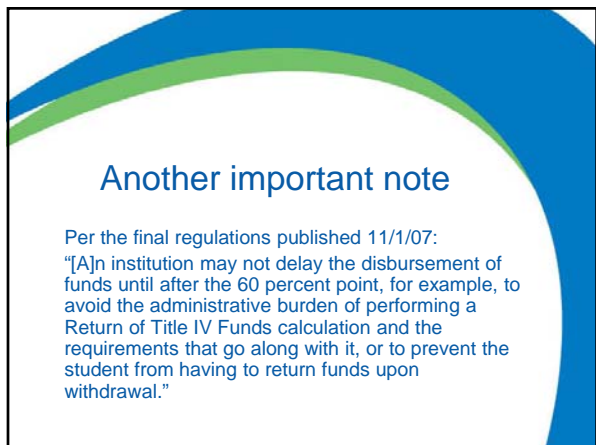
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### Another important note

Per the final regulations published 11/1/07:  
“[A]n institution may not delay the disbursement of funds until after the 60 percent point, for example, to avoid the administrative burden of performing a Return of Title IV Funds calculation and the requirements that go along with it, or to prevent the student from having to return funds upon withdrawal.”

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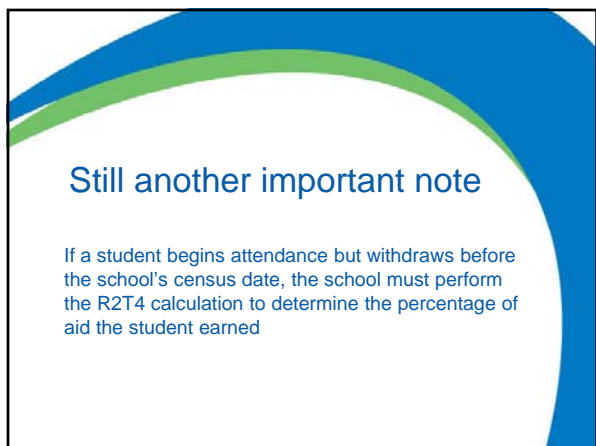
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### Still another important note

If a student begins attendance but withdraws before the school's census date, the school must perform the R2T4 calculation to determine the percentage of aid the student earned

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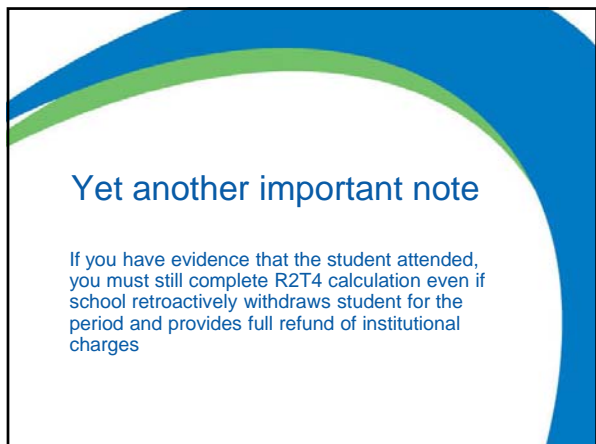
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### Yet another important note

If you have evidence that the student attended, you must still complete R2T4 calculation even if school retroactively withdraws student for the period and provides full refund of institutional charges

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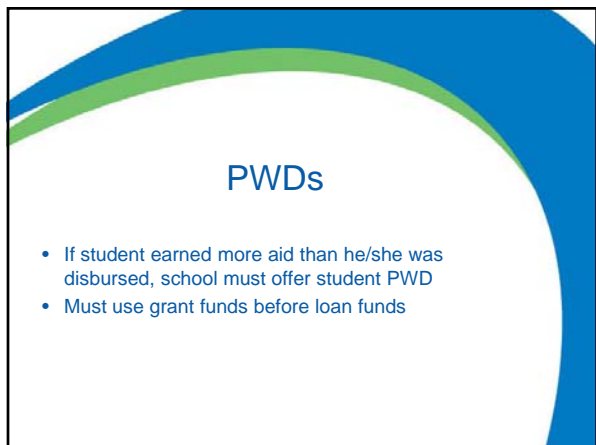
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### PWDs

- If student earned more aid than he/she was disbursed, school must offer student PWD
- Must use grant funds before loan funds

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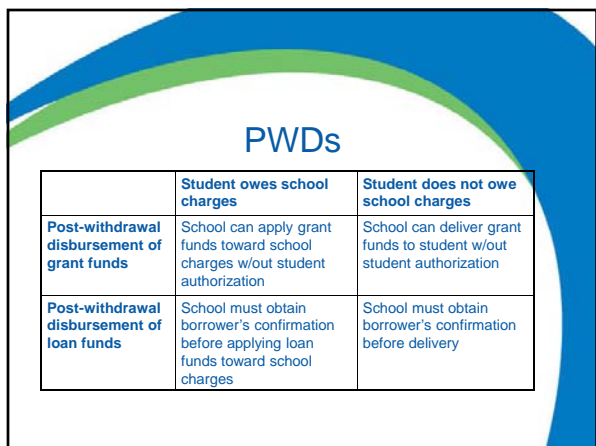
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### PWDs

	Student owes school charges	Student does not owe school charges
<b>Post-withdrawal disbursement of grant funds</b>	School can apply grant funds toward school charges w/out student authorization	School can deliver grant funds to student w/out student authorization
<b>Post-withdrawal disbursement of loan funds</b>	School must obtain borrower's confirmation before applying loan funds toward school charges	School must obtain borrower's confirmation before delivery

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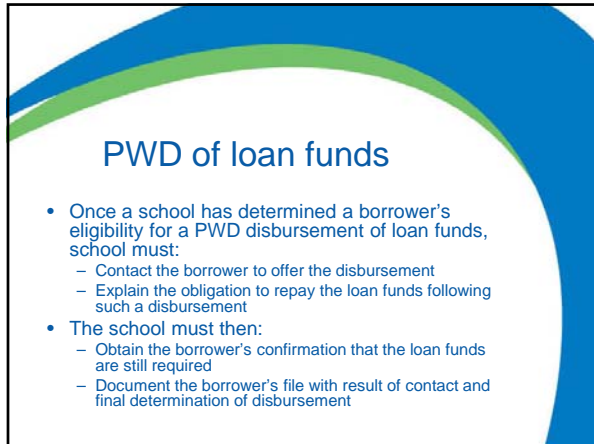
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### PWD of loan funds

- Once a school has determined a borrower's eligibility for a PWD disbursement of loan funds, school must:
  - Contact the borrower to offer the disbursement
  - Explain the obligation to repay the loan funds following such a disbursement
- The school must then:
  - Obtain the borrower's confirmation that the loan funds are still required
  - Document the borrower's file with result of contact and final determination of disbursement

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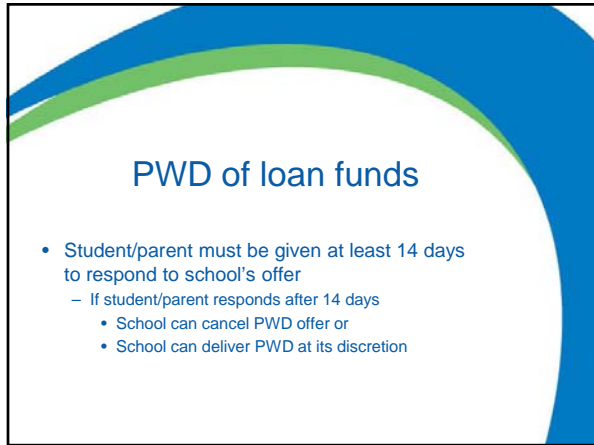
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### PWD of loan funds

- Student/parent must be given at least 14 days to respond to school's offer
  - If student/parent responds after 14 days
    - School can cancel PWD offer or
    - School can deliver PWD at its discretion

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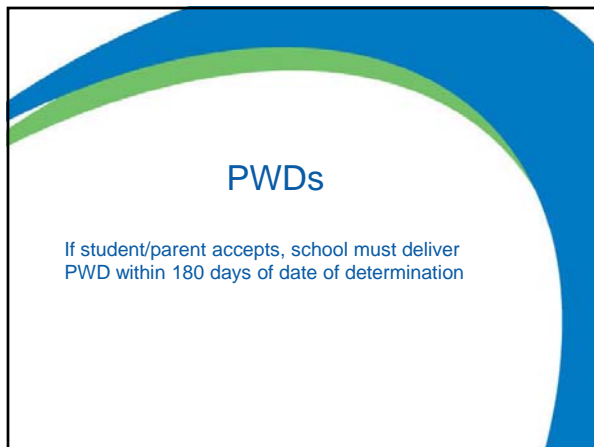
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### PWDs

If student/parent accepts, school must deliver PWD within 180 days of date of determination

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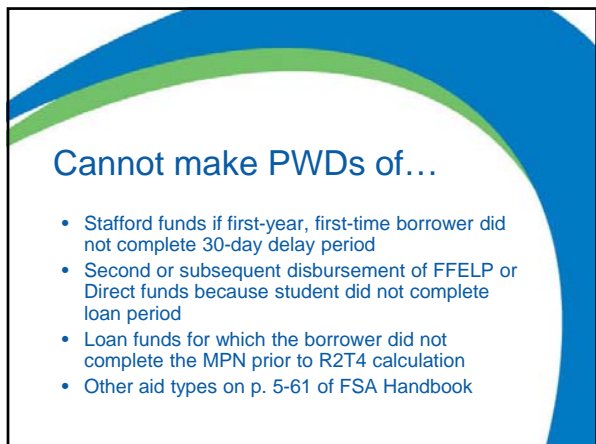
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### Cannot make PWDs of...

- Stafford funds if first-year, first-time borrower did not complete 30-day delay period
- Second or subsequent disbursement of FFELP or Direct funds because student did not complete loan period
- Loan funds for which the borrower did not complete the MPN prior to R2T4 calculation
- Other aid types on p. 5-61 of FSA Handbook

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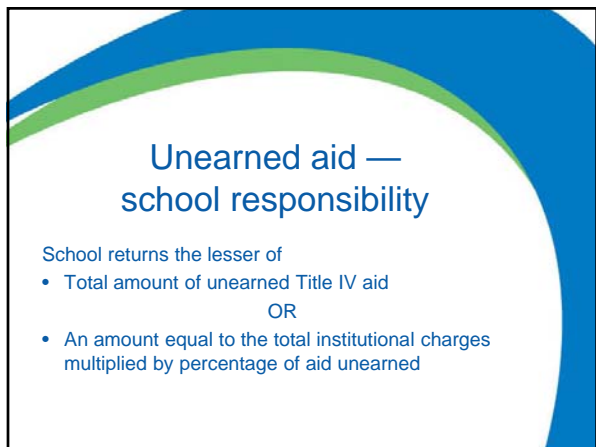
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### Unearned aid — school responsibility

School returns the lesser of

- Total amount of unearned Title IV aid

OR

- An amount equal to the total institutional charges multiplied by percentage of aid unearned

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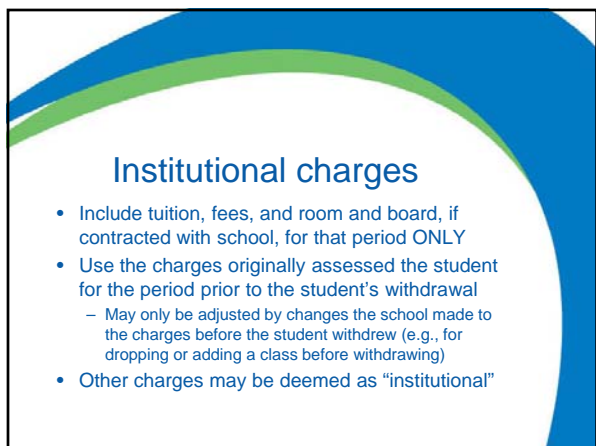
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### Institutional charges

- Include tuition, fees, and room and board, if contracted with school, for that period ONLY
- Use the charges originally assessed the student for the period prior to the student's withdrawal
  - May only be adjusted by changes the school made to the charges before the student withdrew (e.g., for dropping or adding a class before withdrawing)
- Other charges may be deemed as "institutional"

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### Unearned aid — student responsibility

Student must return remaining unearned aid after school returns its portion

- Loans — borrower must return under terms of prom note
- Grants — student grant overpayment due only if overpayment exceeds 50% of the total Title IV grant aid disbursed and grant aid that could have been disbursed for the period
  - Also note that student not required to return a grant overpayment amount of \$50 or less for any federal grant program

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#### Example #1

Prior to withdrawal, student was awarded \$1000 in Pell (disbursed) and \$500 in SEOG (could have been disbursed)

R2T4 shows that student's initial grant overpayment is \$600

Student must repay only the portion of the initial grant overpayment that exceeds 50% of total grant aid disbursed plus grant aid that could have been disbursed for the period

Total grant aid disbursed + could have been disbursed = \$1500; 50% is \$750

Since student's initial grant overpayment amount of \$600 is less than \$750, student must return **\$0**

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#### Example #2

Prior to withdrawal, student was awarded \$1000 in Pell (disbursed)

R2T4 shows that student's initial grant overpayment is \$600

Student must repay only the portion of the initial grant overpayment that exceeds 50% of total grant aid disbursed plus grant aid that could have been disbursed for the period

Total grant aid disbursed + could have been disbursed = \$1000; 50% is \$500

Student must return amount by which initial grant overpayment (\$600) exceeds \$500; student must return **\$100**

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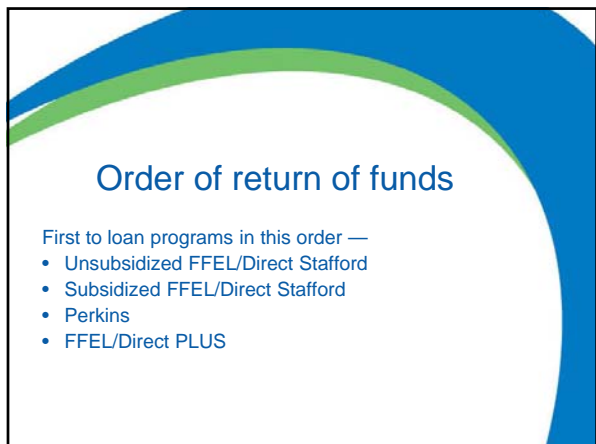
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### Order of return of funds

First to loan programs in this order —

- Unsubsidized FFEL/Direct Stafford
- Subsidized FFEL/Direct Stafford
- Perkins
- FFEL/Direct PLUS

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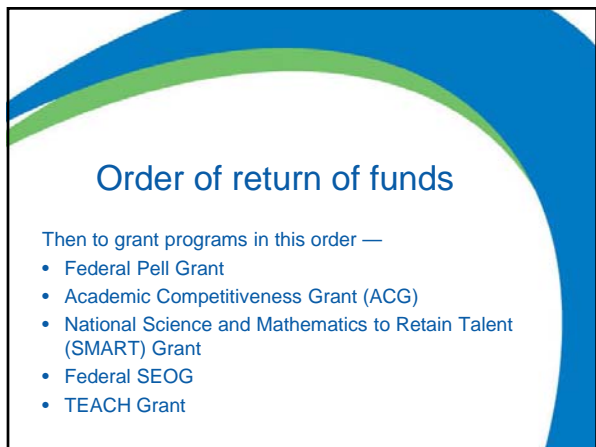
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### Order of return of funds

Then to grant programs in this order —

- Federal Pell Grant
- Academic Competitiveness Grant (ACG)
- National Science and Mathematics to Retain Talent (SMART) Grant
- Federal SEOG
- TEACH Grant

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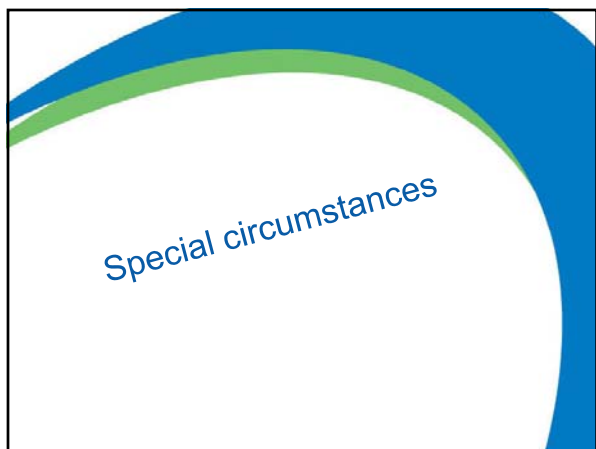
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### Special circumstances

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## PLUS loan denial

“If a PLUS loan is included in a Return calculation and later the loan is denied by the lender, the school should revise its Return calculation. If there has been a change in the amount the student or school must return, the school must make the appropriate adjustments to its records and the COD systems. If the denied PLUS loan was the only Title IV assistance for which the student was eligible, no Return calculation would have been required.”

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## Credit balances

When a student for whom a school holds a Title IV credit balance withdraws, school must:

1. Perform R2T4 calculation
2. Apply institutional refund policy
3. Allocate credit balance to pay grant overpayment (if applicable)
4. Pay any remaining funds to:
  - Resolve institutional charges
  - Pay down Title IV debt
  - The student
5. Return funds to Title IV programs (if student cannot be located)

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## References

- 34 Code of Federal Regulations 668.22
- 2008-2009 *Federal Student Aid Handbook*, Volume 5, Chapter 2 (Withdrawals and the Return of Title IV Funds)
- Dear Colleague Letters: GEN-98-28 (Nov. 1998), GEN-00-24 (Dec. 2000), GEN-04-03 (Feb. 2004, revised as GEN-04-12 Nov. 2004), GEN-05-16 (Oct. 2005); GEN-06-05 (Apr. 2006)
- Final regulations issued in November 1, 2006 and November 1, 2007 *Federal Register*

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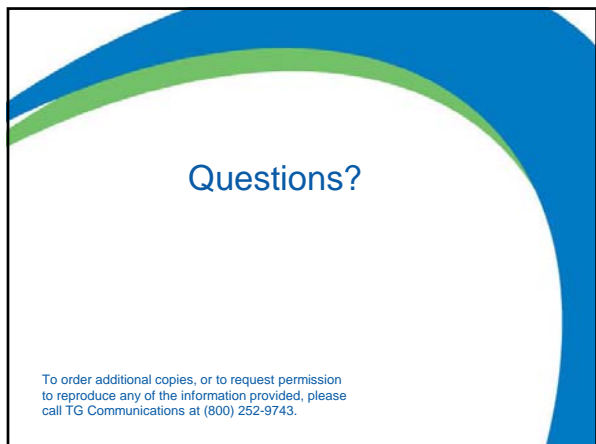
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