

Return of Title IV Funds

April 2006



Return of Title IV Funds (R2T4)

- What is it?
 - ED's mathematical calculation to assess eligibility of a Title IV recipient who:
 - was enrolled then completely withdrew before the end of a payment or enrollment period or failed all classes
 - was paid aid up front or was going to be paid aid
 - was assessed tuition



Return of Title IV Funds (R2T4)

- What is a Title IV recipient?
 - a recipient of grant or loan assistance is a student who has actually received Title IV funds **or** has met conditions that entitled the student to a late disbursement

06-07 FSA Handbook Volume 5, Chapter 2, page 5-16



R2T4 process

- Student enrolled
- Tuition assessed
- Title IV credited/paid
- Student withdraws
- Charges frozen
- Credit balance held
- School determines withdrawal date
- Calculations completed
- Post-withdrawal disbursement offered
- School refund policy applied
- Credit balance allocated
- Grant overpayment resolved by school
- School's portion of repayment to lender within 30 days
- If paper repayment check, lender negotiates in 45 days



R2T4 process for students

$$\frac{\% \text{ aid earned} \times (\text{aid disbursed} + \text{could have been disbursed})}{\text{amount earned by student}}$$



R2T4 process for schools

$$\frac{\text{institutional charges} \times \% \text{ of unearned aid}}{\text{unearned aid due returned by school}^*}$$

* unless amount of Title IV aid that was or could have been disbursed minus amount of aid earned is less than unearned aid



R2T4 process

- amount student earned calculation
 - amount disbursed > amount earned
 - unearned portion returned to programs
 - amount disbursed < amount earned
 - possible post-withdrawal disbursement
 - amount disbursed = amount earned
 - no further action required



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Calculation factors

- institutional charges
- determination date
- credit balance
- aid disbursed or could have been disbursed



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Institutional Charges



Institutional charge principles

- principle #1:
 - most costs charged by the school are institutional charges



Institutional charge principles

- principle #2:
 - an institutional charge does not need to be assessed to all students



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Institutional charge principles

- principle #3:
 - charges on a student's account are not always school charges
 - school charges do not always appear on a student's account



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Date of Determination



R2T4 process

- determination of withdrawal date
 - institutions required to take attendance
 - institutions not required to take attendance



Credit Balance



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Treatment of credit balance

1. Perform the return calculation before:
 - releasing any portion of a Title IV credit balance to the student
 - returning any portion to the Title IV programs



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Treatment of credit balance

2. Perform the return calculation including any existing Title IV credit balance for the period in the calculation as disbursed aid.



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Treatment of credit balance

3. Apply any applicable refund policy (state, accrediting agency, institutional, etc.) to determine if doing so creates a new or larger Title IV credit balance.



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Aid that Could Have Been Disbursed



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R2T4 Process

- aid that could have been disbursed:
 - all aid for period
 - exceptions
 - examples



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Dear College Letter GEN 04-03

- credit balances
- aid that could have been disbursed
- verification
- failing grades
- non-term programs
- date of determination
- LEAP funds



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Deficit Reduction Act changes

- expands school repayment time frame to 45 days
- requires school to:
 - contact student to see if post withdrawal disbursement still required
 - explain borrower's obligation to repay
 - document such contact and outcome



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Deficit Reduction Act changes

- expands definition of payment period for clock hour programs:

Current:

In the case of a program that is measured in clock hours, divide the total number of clock hours comprising the payment period or period of enrollment for which assistance is awarded into the number of clock hours:

- a) completed by the student in that period as of the day the student withdrew; or
- b) scheduled to be completed as of the day the student withdrew, if the clock hours completed in the period are not less than a percentage of the hours scheduled to be completed.



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Deficit Reduction Act changes

- expands definition of payment period for clock hour programs:

New

In the case of a program that is measured in clock hours, divide the total number of clock hours comprising the payment period or period of enrollment for which assistance is awarded into the number of clock hours scheduled to be completed by the student in that period as of the day the student withdrew.



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Deficit Reduction Act changes

- overpayment only if calculation determines student portion exceeds half of original grant amount
- raises minimum repayment amount to \$50 and over



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Questions?



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More Information

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