

Return of Unearned Title IV Funds

Schools are obligated to publish its policies related to students who fail to complete their periods of enrollment. Your publications should state the tuition refund policies used by the school, i.e., state policies or accrediting agency policies as well as the federally mandated Return of Unearned Title IV Funds policy. Your tuition refund policy per your enrollment agreement is the only policy you will be required to follow to calculate tuition refunds. However, for Title IV recipients, a calculation of how much federal aid was earned by the student must be done before a standard tuition refund calculation is performed. The unearned federal aid funds must be returned, and the earned funds would be used as credits to the student account in the tuition refund calculation. In many cases, this process will result in the student having a remaining balance due and increased receivables for the school. Collectability of these receivables may be questionable.

On the attached pages, please find some suggested language regarding a written policy regarding the return of unearned funds, or R2T4 requirement.

Return of Unearned Title IV Funds aka “R2T4” (Sample Policy)

In accordance with federal regulations, students may forfeit a portion of their federal student financial assistance if they fail to complete the program of study in which they were enrolled. This policy affects students who:

- a) received or were eligible to receive federal student financial assistance authorized under Title IV of the Higher Education Act (HEA), i.e., Federal Pell Grants, Federal SEOG awards, or Federal Direct Student Loan (FDSL) program funds,

and

- b) who withdrew or were terminated from the institution during the first 60% of any payment period or period of enrollment.

Determination of Withdrawal

Students will be considered to have withdrawn from their program of study on the date of their official notification to the school of their intent to withdraw, or for unofficial withdrawals, after 14 consecutive calendar days of absence unless the student is on an approved leave of absence as otherwise stated in the institution’s policies. For students whose enrollment has been terminated by the institution, the date of such action shall be considered as the date of withdrawal determination. The student’s last date of attendance in the program will be considered as the withdrawal date for purposes of the required calculations.

Determination of Federal Aid Earned

Eligible Title IV federal aid recipients whose last recorded date of attendance, per the institution’s attendance records, is within the first 60% of a payment period or period of enrollment are considered to have earned federal aid only in an amount equal to the percentage of time that the student was enrolled during the payment period or period of enrollment rounded to the nearest 1/10 of one percent (Example: 33.333% = 33.3%, 66.666% = 66.7%). Accordingly, a required calculation will be performed to determine the amount of federal student aid funds earned by the student for the period of time he/she was enrolled. If the student remained enrolled for more than 60% of the payment period or period of enrollment, all federal aid disbursed has been fully earned. This calculation will be done before a tuition refund calculation is performed in accordance with the institution’s refund policy and may result in a determination of the amount of unearned aid that must be returned to the USDE by the institution, as well as the amount to be returned by the student.

The institution will notify the student upon completion of this calculation if the student has any responsibilities to repay any federal funds beyond the scope of the student’s existing student loan repayment obligations. In many cases, any return of unearned Title IV funds will result in adverse financial consequences including the student owing tuition and fees to the institution that would otherwise have been paid with federal student aid.

Determination of Funds to be Returned

If the R2T4 calculation results in the determination that the amount of federal aid disbursed for the period on behalf of the student exceeds the amount of federal aid that has been earned by the student for that period, then a refund of the unearned portion must be returned to the U.S. Department of Education. The institution will be responsible for its portion of the refund and the student may be responsible to return his/her portion of the unearned federal aid as determined by the calculation. Unearned funds to be returned to the U.S. Department of Education by the institution, and any unearned grant funds owed by the student, must be repaid within 45 days of the date the institution determined that a student has withdrawn. Unearned, Title IV funds owed by the student to a federal loan program must be repaid in accordance with the repayment terms of the student's loan.

Refunds of unearned federal student aid will be returned to the Title IV programs in the following order:

1. Unsubsidized Direct Loans
2. Subsidized Direct Loans
3. Direct PLUS Loans
4. Federal Pell Grants
5. Iraq and Afghanistan Service Grants
6. FSEOG
7. TEACH Grants

Determination of Funds to be Disbursed (Post Withdrawal Disbursement)

If the R2T4 calculation results in the determination that the amount of federal aid earned by the student for the period exceeds the amount of federal aid that has been disbursed on the student's behalf for that period, then the student may be entitled to a post-withdrawal disbursement of earned funds. Earned federal grant funds will be disbursed by the institution within 45 days of the date of withdrawal determination. Earned federal student loan funds, eligible for post-withdrawal disbursement, will be offered to the student within 30 days of the date of withdrawal determination. The student shall have 14 days to accept or decline disbursement of those funds.

Post-withdrawal disbursements shall first be applied to the student's account to cover any charges that remain unpaid after the student's withdrawal from the institution. In the event all charges owed by the student have been paid in full, and a credit balance remains on the account, such credit balance will be returned to the student within 14 days of the date that the credit balance was determined.

Example of Return of Unearned Funds Calculation

Clock Hour Institutions

Payment Period Length	450 Clock Hours
Title IV Federal Aid Awarded for Payment Period	\$6,000.00
Student's Scheduled Hours of Attendance as of Withdrawal Date	150 Clock Hours

In this brief example \$6,000 of federal financial aid was awarded and disbursed to a student for a 450-hour period of training. The student withdrew from school after only 150 scheduled hours of attendance (example: the student was scheduled to attend 30 hours per week and withdrew at the end of the 5th week of enrollment). Accordingly, this student was enrolled for 33.3% (150/450) of the 450-hour payment period. Since the student was enrolled for only 33.3% of the payment period, only 33.3% of the federal aid was earned by the student. The remaining 66.7% of the aid that has not been earned must be returned to the U.S. Department of Education. In this case \$4,000 (66.7%) of the original aid awarded and disbursed must be returned and only the \$2,000 (33.3%) of earned federal aid may be applied to the student's educational costs. A similar calculation is performed for all federal aid recipients who withdraw from school during the first 60% of the period of time for which monies were awarded. Once a student has been enrolled for more than 60% of the payment period, all of the federal aid that has been awarded for that period is considered to be fully earned.

Credit Hour Institutions

Payment Period Length	15-Week Semester (105 days)
Title IV Federal Aid Awarded for Payment Period	\$6,000.00
Number of Days Enrolled as of Withdrawal Date	35 Calendar Days

In this brief example \$6,000 of federal financial aid was awarded and disbursed to a student for a standard 15-week semester of training. The student withdrew from school at the end of the 5th week of the semester (35 days). Accordingly, this student was enrolled for 33.3% (35/105) of the 15-week semester. Since the student was enrolled for only 33.3% of the payment period, only 33.3% of the federal aid was earned by the student. The remaining 66.7% of the aid that has not been earned must be returned to the U.S. Department of Education. In this case \$4,000 (66.7%) of the original aid awarded and disbursed must be returned and only the \$2,000 (33.3%) of earned federal aid may be applied to the student's educational costs. A similar calculation is performed for all federal aid recipients who withdraw from school during the first 60% of the period of time for which monies were awarded. Once a student has been enrolled for more than 60% of the payment period, all of the federal aid that has been awarded for that period is considered to be fully earned.

Your school's policies and procedures must include a policy regarding the Return of Unearned Funds along with an example of the policy. Feel free to use the above language in your publications. Choose which example fits your school's academic measurement, either clock hour or credit hour (semester/trimester/quarter).