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PRISON EDUCATION PROGRAM

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An Overview of Return of Title IV Funds for Prison Education Programs

2023-24 and 2024-25

What is the “Return of Title IV funds” calculation? Return of Title IV funds calculation, known as “R2T4,” is a process schools must perform when a federal student aid recipient unofficially, or officially, withdraws from all classes before the period of enrollment or payment period is over. As the name implies, it refers to determining whether and how much funding must be returned to the federal student aid (referred to as “Title IV”) programs when a student withdraws.

Federal student aid is given to assist students during a specific payment period, or period of enrollment. When a student withdraws from all classes during an academic period, the school uses the R2T4 calculation to establish what percentage of the period the student completed, and determine how much of their federal financial aid they “earned” before they withdrew. If the amount of federal student aid applied to the student’s bill (referred to as a “disbursement”) for the student exceeds the amount they earned, the school must return the funds to the government.

Why do Prison Education Program (PEP) administrators need to understand R2T4? The financial aid office at the school has expertise in performing the complex R2T4 calculations required under federal regulations, and the [Federal Student Aid \(FSA\) Handbook](#) offers extensive guidance about R2T4. But PEP administrators should have a basic knowledge of the process so they can understand what the financial aid office needs in terms of enrollment and attendance information; advise students about the consequences of withdrawal from all classes; and work with finance officials (e.g., the business office or finance office) at the school to make informed decisions about R2T4 and the PEP student population.

R2T4 has very specific rules relating to programs offered in standard and nonstandard terms, modules, and more. This summary will use semester-based programs to present a very general overview for PEP administrators.

When do R2T4 rules apply? R2T4 must be calculated when a student officially or unofficially withdraws from *all* classes before the payment period or period of enrollment has ended, regardless of whether the student withdrew by choice or due to exceptional circumstances like an accident, illness, bereavement, or death.

- An official withdrawal occurs when a student gives written or verbal notice of their intent to withdraw. It also occurs when a student takes a leave that doesn’t fit the requirements for an approved leave of absence under the Title IV programs.
- An unofficial withdrawal occurs when a student stops attending during the semester without completing any of their classes for the term or completing the requirements for graduation.

When do R2T4 rules not apply? R2T4 does *not* apply when a student only drops out of some classes that were used to calculate their Title IV aid eligibility, but not others during the enrollment period. It also does not apply when a student completes their classes but doesn't pass any of them, as long as the student had academically engaged in the class until the end of the enrollment period (for example, the student received an "earned F".) Academic engagement refers to activities like attending classes, taking exams, participating in official study groups, and submitting assignments. In other words, an "earned F" means the student attended the full course but failed to meet the course objectives.

R2T4 also does not apply under limited circumstances when a student takes an *approved Title IV leave of absence* and later returns to finish their coursework within up to 180 days. The U.S. Department of Education's (ED's) strict requirements for an approved Title IV leave of absence often differ from the school's own policies. The *FSA Handbook* recommends that any school with term-based programs that wants to offer students a Title IV-approved leave of absence should contact ED's School Participation Division to learn more.

How do schools determine when a student has withdrawn? The date of withdrawal establishes how long the student engaged academically and earned their federal student aid funds before withdrawing. This is critical to calculating the amount of federal financial aid the student is entitled to for the term. PEP programs should have clear procedures to ensure the financial aid office knows, as early as possible, when a student has withdrawn. Schools must have a formal withdrawal process and communicate it to all students.

To find the student's date of withdrawal, you first need to know whether it's an official or unofficial withdrawal. An *official withdrawal* is when a student gives notice that they plan to withdraw. It's the earlier of, either the date by which they notify the school, or the date they start the formal withdrawal process.

An *unofficial withdrawal* occurs when a student withdraws but does not officially notify the school. In the case of an unofficial withdrawal, the school must establish a withdrawal date based on the date the student was last academically engaged. How you establish this date depends on whether the student's program is categorized officially by the school as an "attendance-taking program," which is information the financial aid director at the school can give to the PEP administrator. **Note that if the correctional authority or other certifying entity requires taking attendance more than one day per term, the program is by definition an attendance-taking program.**

- If the school requires taking attendance in the student's program, the withdrawal date is always the last date of the student's attendance according to the attendance records. It's important to carefully monitor all students' attendance, as the determination that a student has withdrawn must be made within 14 calendar days of when the student stopped attending, except under special circumstances.
- If the program does not require taking attendance, the withdrawal date is the midpoint (or 50%) of the semester, or the school can choose to use the last date of the student's documented academic engagement. For these programs, the first indication of a withdrawal often appears after the period ends, when grade reports show no passing grades in any class (e.g., all "F" grades, all incompletes, or a combination of these.) It must be determined whether the student earned the failing grades or whether the failing grades were unearned (i.e., the student stopped attending the courses without officially withdrawing.) If all failing grades were unearned, the school needs to establish the date the student withdrew to be used in the R2T4 calculation within no more than 30 days after the end of the enrollment period.
- In some cases, students may engage academically throughout the semester but simply do not meet the instructors' required objectives to pass their classes. This is often referred to as an "earned F." If the school has

- evidence that a student remained academically engaged in one or more classes through to the end of the term, even if they received an earned F in those classes, then the student has not withdrawn and is not subject to R2T4.
- Students who do not establish eligibility for their Pell Grant before their complete withdrawal are not entitled to that federal student aid, so the R2T4 calculation is unnecessary.

When has a student fully earned their Title IV funds? In general, students are considered to have earned all of their funds for the semester once they have attended or otherwise participated in classes for more than 60% of their semester or payment period. At that point, there are no unearned funds. However, if the student is eligible for funds that have not yet been disbursed by the time of their withdrawal, the school must still calculate whether the student is eligible for a post-withdrawal disbursement. Ask the school's financial aid office any questions that arise about post-withdrawal disbursements.

What about schools with their own refund policies? Some schools reduce or prorate their charges based on how long a student remained enrolled in the term. R2T4 is entirely separate from institutional refund policies. Any institutional refund calculations should be performed after the R2T4 calculation and should not be considered in the R2T4 process.

What happens when the school returns unearned funds? Returning unearned Pell funds required under an R2T4 calculation can sometimes create an outstanding balance on the student's school account. PEP students often have no income and no means of paying the balance. Many schools will not allow a student with an outstanding balance to enroll until that balance is paid off. So such an outstanding balance could prevent them from ever continuing and completing their studies at the school. PEP program leaders should work together with the school's financial divisions (e.g., the business office or finance office) to make clear, thoughtful plans for how to handle these situations. Some alternatives might include the school writing off the amount as a loss, or the PEP seeking philanthropic funding to cover such costs.

What happens when a post-withdrawal disbursement creates a credit balance on the student's account? In some cases, students are entitled to a post-withdrawal disbursement. For example, the Pell Grant of a student who corrected their FAFSA may not have been disbursed before the student decided to withdraw. If the post-withdrawal disbursement exceeds the amount the student owes to the school, it may create a credit balance on the student's account. However, Pell funds can only be applied to a PEP student's cost of attendance. Excess Pell funds must be returned to the U.S. Department of Education; they cannot be delivered to the student or kept by the school.

Advising students about withdrawals and R2T4. PEP students receiving Pell Grants need to understand that withdrawal from all their classes can have significant consequences that may put their future education in jeopardy. It can use up some of the student's maximum lifetime eligibility for Pell Grant, cause them to fail to make satisfactory academic progress and lose eligibility for federal student aid, or even create an outstanding balance at the school that will prevent them from reenrolling and may impact their credit score depending on the school's policies. They also need to understand that they will not be refunded any money the school charged simply because they withdrew. PEP administrators should discuss these issues with all students before registration and also be ready to counsel students who ask about withdrawal.

Three very basic examples illustrating how R2T4 works Here are some very basic examples of R2T4. The examples keep the costs and the number of credits taken constant so the focus remains on the effects of when a student withdraws and whether the school requires taking attendance.

- **Example 1 - Jordan:** Jordan, a PEP student, enrolled for two three-credit classes in the fall semester, which runs from September 1 through December 19. The fall \$1,500 disbursement of Jordan's Pell Grant completely covered all costs for tuition and books and materials, etc., for the semester.

Jordan's program requires attendance taking, and when staff checked the attendance records on October 12, they noted that Jordan had not attended any classes since October 4 and was not expected to return. The PEP administrator notified the financial aid office that Jordan had unofficially withdrawn from all classes. Since Jordan did not complete more than 60% of the calendar days in the semester, the financial aid office had to perform the R2T4 calculation to determine how much of the Pell Grant was earned before the withdrawal.

Jordan had attended classes until 30% of the days in the semester had passed, earning 30% of the \$1,500 Pell Grant or \$450. The school had to return the remaining \$1,050 to the Pell Grant Program. The school does not adjust tuition or book and material costs after the first two weeks of classes, so that leaves Jordan with an outstanding balance of \$1,050. The school will then need to apply its policies for handling such outstanding balances for PEP students.

- **Example 2 - Casey:** Jordan's classmate, Casey, also took six credits in the fall and completely covered their \$1,500 in educational costs with a Pell Grant. Casey stopped attending classes on November 12, which is more than 60% of the calendar days in the semester. Therefore, assuming the entire Pell Grant was disbursed before Casey withdrew, the financial aid office does not need to do an R2T4 calculation because Casey has earned the entire Pell Grant amount for the semester.
- **Example 3 - Kai:** Kai attended a different program than Jordan and Casey. In Kai's program, the school does NOT require attendance taking, Kai enrolled in six credits in the fall semester (September 1 through December 19) with a fall cost of attendance of \$1,500, which the Pell Grant fully covered. However, because attendance taking is not required, the financial aid staff is unaware of unofficial student withdrawals until final grades are reported. Instructors at Kai's school use a "WF" (failure due to withdrawal) grade when students fail due to not completing the course (e.g., not submitting the final assignment or not taking the final exam), and they use an "F" grade for an "earned F" when students complete the course but don't meet the academic objectives. Kai's grade report showed a WF in both classes.

With no record of Kai's actual last date of attendance, the financial aid office defined the withdrawal date as 50% of the days in the semester (i.e., the midpoint), which meant Kai earned 50% of the \$1,500 Pell Grant for the term, or \$750. The financial aid office returned \$750 to the Pell Grant Program from Kai's account, leaving Kai with an outstanding balance of \$750 on their school account that must be dealt with.

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