

The Steps in a Return of Title IV Aid Calculation - Part 1

This chapter discusses the data elements in the order in which they occur on the Return of *Title IV* (R2T4) worksheets. It is not a set of instructions. It is an explanation of the criteria a school must consider as it enters data in the steps of the calculation.

Step 1: Student's *Title IV* Aid Information

Title IV Aid Disbursed

A school must calculate the amount of earned *Title IV* funds by applying a percentage to the total amount of *Title IV* program assistance that was disbursed and that could have been disbursed. Under Step 1 of the R2T4 worksheet, a school fills in the amount of each type of *Title IV* aid that was disbursed and that could have been disbursed. When entering the amount of loan funds, a school should enter the **net amount** of Aid disbursed and Aid that could have been disbursed.

Generally, a student's *Title IV* funds are disbursed when a school credits a student's account with the funds or pays a student or parent directly with *Title IV* funds received from the Department. There are a couple of exceptions to this definition. For a complete discussion of the definition of disbursed *Title IV* funds, see *Volume 4*.

A student's aid is included as Aid disbursed in the calculation if it is disbursed as of the date of the institution's determination that the student withdrew, and so long as the disbursement was not an inadvertent overpayment (see the discussion in Chapter 1 under "Date of the Institution's Determination that the Student Withdrew").

Inadvertent overpayments are an exception. Inadvertent overpayments—disbursements inadvertently made to a student after the student ceased attendance but prior to the date of the institution's determination that the student withdrew—are included in an R2T4 calculation as aid that could have been disbursed rather than aid disbursed. (See the discussion under "Treatment of Inadvertent Overpayments" later in this chapter.)

A school may not alter the amounts of *Title IV* grant and loan funds that were disbursed prior to the school's determination that the student withdrew. For example, a school may not replace a withdrawn student's loan funds with grant funds that the student was otherwise eligible to receive before performing the R2T4 calculation.

Title IV Aid that Could Have Been Disbursed

In addition to aid disbursed, aid that could have been disbursed is also used in the calculation. There are two principles that govern the treatment of disbursements of *Title IV* funds in R2T4 calculations.

The first principle provides that, for purposes of determining earned *Title IV* aid, generally, as long as the conditions for late disbursements in [34 CFR 668.164\(i\)\(2\)](#) were met prior to the date the student became ineligible, any undisbursed *Title IV* aid for the period for which the R2T4 calculation is performed is counted as aid that could have been disbursed (regardless of whether the institution was prohibited from making the disbursement on or before the day the student withdrew or whether the school will be able to disburse the funds as a post-withdrawal disbursement (PWD)).

Any undisbursed *Title IV* aid for the period that the school uses as the basis for the R2T4 calculation is counted as aid that could have been disbursed as long as the following conditions were met before the date the student became ineligible:

- For all programs, the Department processed a FAFSA Submission Summary or Institutional Student Information Record (ISIR) with an official Student Aid Index (SAI) for the student. (An *official* SAI is one calculated by the Department and provided on a FAFSA Submission Summary or ISIR. It may or may not be a *valid* SAI, which is one based on complete and correct information.)
- For an FSEOG award, the institution made the award to the student.
- For a Direct Loan, the institution originated the loan (within the school's financial aid system).
- For a TEACH Grant, the institution made the award (within the school's financial aid system).

In all *Title IV* loan programs, a promissory note must be signed for a loan to be included as aid that could have been disbursed in an R2T4 calculation. The signature may be obtained after the student withdraws but must be signed before the school performs the R2T4

If a student earns a passing grade in one or more of their classes *offered over an entire period*, an institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for *Title IV* purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period. Keep in mind that a grade of "incomplete" is not considered a passing grade or successful completion.

Please note that a "system-generated" default date is not acceptable documentation that a student began attendance.

In some cases, a school may use its policy for awarding or reporting final grades to determine whether a student who failed to earn a passing grade in any of their classes completed the period. For example, a school might have an official grading policy that provides instructors with the ability to differentiate between those students who complete the course but failed to achieve the course objectives and those students who did not complete the course. If so, the institution may use its academic policy for awarding final grades to determine that a student who did not receive at least one passing grade nevertheless completed the period.

Another school might require instructors to report, for all students awarded a non-passing grade, the student's last date of attendance (LDA). The school may use this information to determine whether a student who received all "F" grades withdrew. If one instructor reports that the student attended through the end of the period, then the student is not a withdrawal. In the absence of evidence of a last date of attendance at an academically related activity, a school must consider a student who failed to earn a passing grade in all classes to be an unofficial withdrawal.

Note that if a school uses its grading policy to determine whether students with failing grades have unofficially withdrawn, during compliance audits and program reviews, student records might be examined to determine whether the grades assigned accurately represent the students' attendance.

Remember, if a student does not complete at least one course during a payment period and the school cannot document that they attended at least one day during that payment period, they must be treated as one who never began attendance for the payment period. In such a case, the regulations under [34 CFR 668.21](#) apply and *Title IV* aid disbursed to the student for the payment period must be returned.

In addition, a student with all incomplete (I) grades may be considered withdrawn for *Title IV* purposes depending on a school's incomplete grading policy. If a school has an incomplete grading process whereby a student cannot receive an incomplete unless they attended the entire period for which the incomplete grade is for, then the financial aid office can treat the incomplete like an earned F and no R2T4 calculation would be necessary since the student would be considered to have completed the period.

If a school has an incomplete grading policy that states that a student can only obtain an incomplete grade if the institution documents that they completed more than 60% of the payment period, then no R2T4 calculation needs to be performed unless the school needs to determine if any PWD is owed for any aid that could have been disbursed. In this circumstance, if the institution determines that the student does have aid that could have been disbursed for the period and the student does not have any passing or "earned F" grades, the institution must perform the R2T4 calculation using the student's documented withdrawal date and make any applicable PWDs.

Finally, if the school does not have any completion percentage requirements for an incomplete grade, (or allows an incomplete grade to be assigned to a student without ensuring that the student completed at least 60% of the period), then the school must perform an R2T4 calculation if the student does not have any passing grades or "earned F" grades (e.g., the student has only incomplete grades, or has incomplete grades and unearned "F" or "W" grades) unless the student receives a passing grade before the R2T4 return deadline. If, after the R2T4 return deadline, a student in this circumstance receives a passing grade for an incomplete course, the school is not permitted to reverse or adjust the R2T4 calculation that was correctly performed at the time it was completed.

Volume 5, Chapter 2, Example 7 - grading policy that could be used to determine whether a student unofficially withdrew

F (Failing) Awarded to students who complete the course but fail to achieve the course objectives.

I-U (Incomplete-Unauthorized) Awarded to students who did not officially withdraw from the course but who failed to participate in course activities through the end of the period. It is used when, in the opinion of the instructor, completed assignments or course activities or both were insufficient to make a normal evaluation of academic performance possible.

To serve as documentation that a student who received all "F" grades had not withdrawn, such a grading policy would have to require instructors to award the "F" (or equivalent grade) only to students who completed the course (but who failed to achieve the