Greg Martin: Okay. Good afternoon, and welcome to the session on foreign schools, return of Title IV funds. My name is Greg Martin, and along with Bryon Scott, we'll be your presenters today. We have a lot to go over in a short period of time so the way we're gonna work this is I'm going to do an introductory portion of this presentation and go over some basic theory, things like that.

I'm not saying you can't ask questions during that part, but if you have questions about detailed portions of the calculation, what I'll probably do is just say, "Byron's going to come up and go through the calculation with you. And then when he gets to that particular point, make a note of what you asked and make certain to stress that when you get to that part." Having said that, we'll just start and get going here, and if you have any questions as we go along, please feel free to ask them.

This is what we're going to cover today, some basic principles. We'll look at attendance, R2T4 calculations, actions after a calculation, and R2T4 and modules. I will use the acronym R2T4 because saying "return of Title IV funds" every times gets a little bit much. So when I say "R2T4," we mean the return of Title IV funds, and that's the acronym we've used for many, many years.

A couple of principles to be familiar with. Title IV funds are awarded to a student under the assumption the student will attend. Why do we say this? Because it's important for you to know why we require that an R2T4 calculation be done if a student withdraws. The reason why is that you award aid to the student, and we make that possible, with the assumption or you might say the presumption, that a student will finish that period of enrollment. That's the hope for outcome.

When the student withdraws, that student might not be eligible for the full amount that the student was paid. And we'll look at another basic principle here, and this is a really important one to internalize, this top bullet. The student earns Title IV aid through attendance. It's the percentage of aid earned, and that percentage is equal to the percentage of the payment period or period of enrollment completed. It starts off very easy. It gets a lot more complicated as you're going to see. But the premise itself is quite simple. The student earns aid in accordance with the amount of time he's been there, on a percentage basis.

So to make a very simple example, if you have a term that is 100 days in length, and the student has attended 50 days, then that student has earned 50 percent of the Title IV aid that either was disbursed or could have been disbursed. And Byron will talk about those two concepts when he gets up here.

So what's important to remember about that then is that the student has earned aid as a result of his or her attendance, and it has nothing to do with how much you charge the student or how much of a refund you gave the student or anything else. It's strictly based on earning the aid through attendance.

If you've disbursed more aid than the student has earned, the money is returned to the program. In my simple example, the student earned 50 percent of the aid, but did not earn 50 percent of the aid. Therefore, 50 percent of the aid must be returned.

If you've disbursed less aid than the student has earned, a post-withdrawal disbursement will be calculated, depending on the circumstances. I think in most cases with the types of schools we have here and the situations that you're in this probably won't happen very often. And I think the reason for that would be that these students who are your foreign students coming from the United States have made the decision, a fairly committed decision, to take on a big expense and a big change in their lives to go overseas and study. I'm guessing that for the most part, you make that aid available to students as quickly as you can. You don't wait until well into the term to disburse aid to the student, so you're probably disbursing aid at the beginning of the term, and maybe even before the term because you have up to ten days prior where you can disburse aid.

So in most cases, when and if a student withdraws, and you probably won't have too many withdraws, you've probably already disbursed all the aid to the student, so you're probably not going to get into the scenario at the top, but it is possible. If a student comes to your school and doesn't get a loan because he doesn't want one, say, "I don't need a loan," and then maybe three-quarters of the way or half-way through the fall term, decides, "You know what? I do need a loan," you go ahead and originate that loan, and then before you can disburse it, I've left or I withdrew. There might be the possibility that you'd have to make a post-withdrawal disbursement because in that scenario I earned more aid than you disbursed. Say I had earned 50 percent of the aid based on the period or percentage of the term I had attended, but you had yet to pay me anything. But that's probably gonna be fairly rare, but we have to point it out.

After a student completes 60 percent – actually, we should say more than 60 percent of the payment period, or period of enrollment, the student is considered to have earned 100 percent of the aid. So at the point at which a student has earned more than 60 percent or attended more than 60 percent of the payment period, that student has earned 100 percent of the aid, and that'll become clearer to you as we walk through the calculation.

Another important point, institutional or other refund policies, be they state or accreditor, do not impact the amount of Title IV aid earned under a calculation. In my simple example, the student was there 50 days out of 100, and the student earned 50 percent of the aid. Let's just say for argument sake that that disbursement of direct loan was $5,000.00. That student has earned $2,500.00. Irrespective of whether you give the student a refund or you make any judgments anything like that, it does not matter.

The most extreme example, but it hammers home this point well that I can give, is say that halfway through the term I get into an automobile accident and I'm severely injured and you, for humanitarian purposes, decide that you're not going to charge me for semester. So you decide to remove all charges from my account, zero them out. What's my status at that point? Well, let's just say I've been there 50 days. I've earned 50 percent of the aid without question. And if you take all the charges off my account I've got that much of a credit balance coming to me. There's no such concept as treating this semester as if it didn't occur, and you can wipe out the charge, but you can't wipe out what the student has earned. So that's an important thing to internalize.

As far as withdrawal date – and, again Bryon is going to go into a lot more detail about this – you should use the best information available to you to determine the withdrawal date. So keep that in the back of your head, and when Byron comes up, he's going to flush that out a little bit for you.

Consumer information requirements. We do require you disclose to us the policies you're working under. Now we said earlier that a refund policy that you have that would be refund of unearned tuition, you may have a policy at your school that says if I withdraw at a certain point, you'll refund a certain percentage of unearned tuition. That's fine. That won't affect the R2T4 calculation. However, under our consumer information rules, you are required to disclose any refunding predominantly with which you must comply.

So if you have a refund policy out there that's required of you by the state or whatever your governing entities are, you have to inform the students of that. If you have your own tuition refund policy, you must disclose that to the students. You must also disclose the requirements for returning Title IV funds after students withdraw, or the R2T4 requirements we're talking about here. Obviously, you don't have to explain every little thing, but you want to put the basics of it in there. So any refund policy you've got, and also the R2T4 policy.

This last bullet discusses procedures for official withdrawal. Office accepting official withdrawal notices. You are required to have least one office on your campus to which a student can go to withdraw officially. You can designate what that is. If you want to make it a registrar's office or a fees office or some other type of office, you can do that, but you must have at least, and that needs to be disclosed to your students.

What about the applicability here? R2T4 requirements apply to anybody who withdraws during a payment period, so you need to understand that it's only applicable if somebody actually begins attendance and they withdraw during that period of enrollment. It doesn't mean they've dropped all their classes but one. It means a complete withdrawal. And that could be precipitated by the student leaving or by you kicking the student out during the middle of a term. Either way, that's a withdrawal. The student has completely ceased attendance in that payment period.

When we talk about payment periods, almost all of you in here probably all of you have term-based programs. The period we're talking about is the term so that would mean the student has withdrawn during that term. If the student completes the term and doesn't come back for the next term, that's not an R2T4. The student simply has not come back for a subsequent term.

What if the student enrolled but never attended any classes? R2T4 is only applicable if the student began. If the student didn't begin, then he didn't establish any eligibility for funds. So in the situation where a student may have enrolled but never started, R2T4 is not applicable, and all Title IV funds must be returned. There is a big of a proviso there that we'll look at in the next slide.

If the student never commences attendance for the period, this is not going to be an eligible recipient, and therefore, R2T4 will not apply. We do have provisions that do apply. If that's the case, Direct Loan funds that were credited directly to the student's account – those are funds that went to pay for direct charges –

would have to be returned by the school. So anything you credited to the student's account, you would return. Anything you gave the student for living expenses, you're not required to return, but would notify the Direct Loan servicer, and inform the servicer that the amount the student received was an ineligible disbursement. At that point in time, the servicer would send out demand letter to the student and the loan would be accelerated. If the student failed to pay it in the course of I think it's 30 days, that loan would go into default.

That's just a basic overview of what we're going to talk about here. Byron's gonna come up and flesh some of this out for you. Then when he's done, we'll go over an actual example.

Byron Scott: Thanks, Greg. Good afternoon, everybody. You have made it this far. If you're not from a foreign medical or veterinary school, this is kind of your last hard session for foreign schools. 'Cause if you come to the next one about assessments, that's where I'll tell you all sorts of happy things about how you can cope with all of the unpleasant things you've heard me talk about in all the sessions that I've done.

So what we're gonna do now is we're gonna start talking in more detail about how this calculation, how this process works. And so as Greg mentioned, we believe all of you are from schools that have semesters or quarters, or what we would call terms. Is that correct, or does anybody not have those? Okay. Well, the regulations talk about that you can do the R2T4 calculation based on a payment period or period of enrollment. And for all of you, since you have terms, we're going to assume you're doing this on the payment period, or term-based method. And so you're required if you have standard terms, to do that. So every time now when we talk about the payment period, we're going to be talking about the term, whether or not that's a semester or a quarter at your institution.

Now to me, one of the most challenging kind of mental concepts in the R2T4 calculation is that there is a column – and I don't know how many of you are familiar. We're gonna be talking about this worksheet, basically. Many of you probably have very few R2T4 calculations that ever have to make, and many of you, if you do, we have a software product out that you can access via FAA Access on the Web, that you might be using instead of this paper document. But for today's training we're gonna be walking through this worksheet. And one of the things that it talks about is aid that could have been disbursed.

So in the R2T4 calculation, in addition, it kind of seems like, “Well, if they drop out and I have them some money, I figure how much they’ve earned, and I’ll send what they didn’t earn back.” That’s relatively straightforward. But to benefit the student, we also allow you to include aid that could have been disbursed in the calculation. Because you are only in the Direct Loan program, that’s less of a benefit to students than it might be at a domestic institutions where let’s say they have a Pell grant and a loan. And in that example, say you gave the student the Pell grand to $2,000.00 and you hadn’t given him a loan of $2,000.00. But if we put aid that was disbursed with aid that could have been disbursed, that’d be $4,000.00. And using Greg’s example, when he earned 50 percent of that, earning 50 percent of $4,000.00 means the student gets to retain $2,000.00; whereas, if he only earned 50 percent of $2,000.00, he’d only get to retain $1,000.00. So even though this seems a little odd, or at least did to me, there is actually a reason for including this money.

But when we include it, you can only include if certain criteria are met, and that is that we have processed the ISIR or the SAR with an official EFC, and you have to have originated the loan. The student will also need to have a valid MPN signed by the time you do the calculation. And even though we want you to include this aid as aid that could have been disbursed in the calculation, in often, you can’t disburse it. Now you couldn’t disburse if you didn’t have the MPN or you didn’t have the valid ISIR.

If the student started on September 1st and withdrew on September 10th, and he was a first-time freshman, if he didn’t meet the 30-day delay, you couldn’t disburse it, except for many of you I’m guessing your default rate is below the threshold, so that wouldn’t apply. But the second disbursement of a loan can’t be made as a post-withdrawal disbursement. What do I mean by “second disbursement”?

Let’s say you have a fall semester and a spring semester. And when we talk about terms, that’s what we’re talking about. So the student comes in the hall and you make a segment of the loan and everything’s fine. And the student comes back in January and then he drops out in February. And for some reason, the loan disbursement was late, so it’s aid that could have been disbursed in the calculation.

Because that’s the second disbursement in the loan period, you can never actually make the post-withdrawal disbursement of the aid that could have been disbursed. Not entirely sure why, but that's just the way it is. But in that example, if came in the fall started in September, dropped out September 30th, and say I'm a sophomore, and you did the calculation and there was a post-withdrawal disbursement due of Direct Loan funds, you could make it.

Now a lot of what we're talking about has been in the regulations for quite some time. But we're talking about new regulations, and these specially apply to the components of R2T4 related to modules, programs offered in modules, and institutions that are required to take attendance. The basic math of the calculation hasn't changed, but some of the things that apply to it, have. And that's what we're gonna be talking about now. These new regs took effect for payment periods that began after July 1, of this year, so, for example, your fall semester.

One of the key principals that Greg mentioned is that Title IV aid is calculated based on student attendance, and at a credit-hour term-based institution, that's based on calendar days that they go to school. And because how many days they go directly impacts how much money they get, we want you to use the best available in to determine the withdrawal date. And so we made a change in the regulations that was effective this July. We changed what we mean by schools required to take attendance.

Under the old regulations, it basically meant that an outside entity required you to take attendance. So in the United States, that might have been the state or the accreditor. Now we've broadened our definition of what it means to be required to take attendance. It still includes if an outside entity requires you to take attendance. Maybe that's your accreditor. It could be for some of our UK schools, it could be the UK border agency. If you're required to keep tabs on your foreign students for the immigration authorities, that could be n outside entity that's requiring you to take attendance.

Maybe you have an institutional policy that requires faculty to take attendance. In that case, you're an institution that's required to take attendance. Maybe you're just required to take attendance for some of your students. So for example, using our British example, maybe you don't have to keep tables on your British students, but you do on the students from overseas. Maybe you just take attendance for the first two weeks, or maybe the college of engineering takes attendance, but the college of business doesn't.

If have classes only in the college of engineering, I'm at a school that's required to take attendance. But if I have a mix of engineering and business, or I'm only in business, then I'm not at a school required to take attendance. If you take attendance up through a limited point, say we take attendance for the first two weeks, if you can show I attended to Day 14, and then I somewhere vanish after that, you need to be able to show I went to school at least one day afterwards, because otherwise, you'd have to use Day 14 as the withdrawal date.

If, however, you have what we call a census date, which is a day where we're going to check attendance on Day 14, we're only gonna look at one day, then that's not a requirement to take attendance. But these attendance records have to be generated by the institutions, by the faculty or some other system. They're not me just saying, "Oh, yes. I was in school on October 25."

We also defined a little bit about what academic attendance, or attendance an academically related academy is. Oddly enough, it's actually going to class, as you might think it means. It's submitting an academic assignment, taking an exam, an interactive tutorial. Some of this stuff that's in the regulations doesn't really apply to you, because of the prohibition on distance education for you. It can also include applying in a school-assigned study group, participating in an online discussion, or initiating contact with a faculty member to ask about the subject study.

Academic attendance does not include living in the dorm or using the school meal plan. It doesn't include logging into an online course without active participation, and it also doesn't include participating in academic counseling or advisement. So say I just came in to talk to a counselor. That's not going to school.

So remember I said about what's required to take attendance and what's not. Do any of you think you're at institutions required to take attendance? There's one nodding head. Anybody else? A couple heads. Okay. 'Cause we got quite a few hands yesterday when we did this. In that case, the last date of actual attendance is the withdrawal date, and on this worksheet, up at the top there's a section for Date of Determination of Withdrawal. That's when you figured out the student is no longer going to school/ but then there's a date of withdrawal. And so first we're gonna talk about schools that are required to take attendance, and then we're gonna talk about what applies if you're not required to take attendance. And how these dates, date of determination, withdrawal date, get defined depends on which category your institution belongs in.

If you're required to take attendance, your date of determination of withdrawal must be within 14 days of the last date of actual attendance, which, in the last date of attendance is the withdrawal date. So, for example, if you are required to take attendance, let's say I am a party-loving American student and I miss class for two weeks. It isn't that you necessarily need to withdraw me on Day 14, but you would needs to reach out and say, "Hey, Bryon, haven't seen you in class for two weeks. What's going on?"

I can say I'm coming back, and that's great if I do. But if I don't, you have to treat me as if I left on Day 14, that that would be my last date of attendance, that would b the withdrawal date, and the date of determination trigger would start calculating your return.

Now let's talk about the large group of you who are not required to take attendance. The official withdrawal process. Greg mentioned that you need to have a process by which students can officially withdraw from your institution. The regulation specifies that you have to establish at least one office on your campus from which students can withdraw. Seems pretty straightforward. But we've added a little twist to it. The regulation says that students also must be able to officially withdraw orally. So many schools, domestic schools, have what can be a rather complex withdrawal process.

Come to the dean of students office. They'll give you a withdrawal form. You have to take that to the dean of students. You have to take that to housing. You need to take it to bursar or the finance office. You need to thing to the ac office. And when you get those four signature and bring it back to us, you're a withdrawal. That's perfectly fine to establish your withdrawal policy that way; however, the regulation requires that you be able to document when I began that process.

So if I come in and pick up the form and never come back, and just vanish, the date I got the form is the withdrawal date. And I see lots of not happy faces. If I was having this conversation with American universities, they'd have the same looks on their face. And when we tell them – I used to be a program reviewer before I became a training officer, and when I say how can students withdraw orally and they would say they can't, I would say, "Then you have a finding." Somehow students have to be able to withdraw over the phone.

So if I provide multiple dates, if I come in, pick up the form, then go to class and then drop out, you've gotta use the earliest date.

But let’s say not required to take attendance, I don’t withdraw officially. So Greg talked about official withdrawals and what those are. There are also what we call unofficial withdrawals, and the rules are slightly different. An unofficial withdrawal means I just stopped coming to class and I vanished. So some of you have dorms, residence halls, but some of you don’t, or students might live in an apartment. You don’t take attendance. I don’t live on campus. I don’t finish. How do you know?

Well, the end of the term comes around and in our quaint American way, we talk in this world, in this little part of our universe about in the United States, usually an F is a failing grade. And we talk about unearned *F*s and *F*s that are earned. So if I go to class, I go all semester, and I take the final, and I fail and teacher gives me an F, I earned that F. But a lot of schools, students vanish in the middle of the term and faculty will give them an F because they didn’t finish. That’s an unearned F. And so as a result of these regulations, a lot of American universities have had to implement procedures to figure out what it means when someone has all *F*s at the end of the term.

So some universities have implemented other codes for their faculty to tell the registrar or the financial aid office that someone didn’t finish the semester. Because if I vanish, if I don’t earn any credits, you need to determine if I am withdrawn.

So for schools not required to take attendance, the date of determination of withdrawal is the date that I officially withdraw, or maybe as Greg mentioned, I’m in a bad accident, I’m in the hospital, I call you a week later when I’m out of the coma, and I tell you what happened, you can use that later date. If I am an unofficial withdrawal, I have all those *F*s at the end of the term on my grades, you have 30 days from the end of the term to figure out if I am a withdrawal.

So we’ve done all that calendar fun, and now we’re gonna figure out how much of the period of the term I’ve completed. So we’ve got the top half of the calculation, the numerator, and the bottom half of the denominator. The denominator is how many days we’re scheduled in the term. Seems pretty straightforward. The term starts on this day, and it ends on that day, and you count all the days, unless you have a scheduled break of five or more consecutive days.

So, for example, many of you are in countries that might have a big Easter holiday. The campus is closed on Food Friday, Holy

Saturday, Easter Sunday, Easter Monday. That's a four-day break. So those four days get included the calculation. But let's say you're closed o Holy Thursday as well. So you're closed on Thursday, Friday, Saturday, Sunday, Monday. That's a scheduled break of five consecutive days, and you would skip counting those days in the equation. You'd start at the first day, count till Wednesday, and then start up again next Tuesday in counting the days.

We had a question yesterday about a school with a five-day, a weeklong break. So the school is closed from Monday through Friday. If there are no classes on the weekends, either before or after, that five-day break actually counts as a nine-day break because you count up to the last day of instruction, and then you begin again, at the next scheduled day of instruction. And then the top half of that equation is the number of days that I completed. That's fairly forward.

But lots of schools don't have a simple straightforward calendar anymore. They have what we are now calling modules. How many of you think you might have modules in your calendar, in your academic setup? One, three, five. Already half of you. Well, let's talk a little bit about what modules mean.

This is one of the big changes in the current regulation that took effect this July. What a module means that a course or courses in the program do not span the entire length of the payment period. In this case then, they don't span the entire length of your term, your semester, your quarter. It doesn't matter what you call them, whether they're mini sessions or late starts or intersession.

It would mean if you had a fall term that began September 1st and ended December 15, if you had a class that began October 1st, then that's offered in modules. So how many of you think you might have programs offered in modules? Anymore? No? Same number. Okay.

Well, we talk about when a student is considered withdrawn and in general, at a credit-hour program, it would be if they don't finish all the days in the term. And the best way to document that is with passing grades. But if you have programs offered injury modules, if I don't get passing grade in the last module, you need to figure out if I'm a withdrawal. But just to make this even more fun, we've added a way for schools with modules if somebody stops, not to have to treat them as a withdrawal. And this last bullet talks about that.

If when I leave a program offered in modules, I they'll you in writing that I am coming back for another module in the same term, you don't have to consider me a withdrawal. What does that mean?

Let's say I have a 16-week semester that has 4, 4-week modules. We'll call them one, two, three, and four. I'm scheduled in Modules 1, 2, 3, and 4. And in the middle of module 2, I say, "I've gotta stop for a little while, but I promise I'm coming back for Module 4." If I tell you that in writing, you don't have to perform an R2T4 calculation at that time.

After I gave you that written notification I could tell you, "You know what? I'm gonna come back for Module 3 instead," and as long as I change the date prior to getting to that date, that's okay. But if I don't come back like I told you I would, then you need to do the calculation as if I had never told you was going to come back.

So if you have a program offered on modules, to try and help you figure out if somebody's a withdrawal, we have established three questions that you can ask. So a program offered in modules, "Did the student cease to attend or fail to begin attendance in a course that he was scheduled to attend?" If the answer is yes, it's potentially, "I'm a withdrawal," and we're gonna go to another question. So let's say I'm scheduled in Modules 1, 2, 3, and 4, if I finish one, but never show up to two, the answer to this question would be yes. When I ceased attendance, or failed to begin attendance, was I attending other courses? Let's look at this module example.

Let's say you had some courses that spanned the entire 16 weeks of the semester. So I'm scheduled for A, B, C, and D, and I have a course that spans all 16 weeks. Go to A, finish A, and I'm in my 16-week course. I don't show up for B. Maybe I'm a withdrawal, but I'm going to my 16-week class. So I'm not a withdrawal. But if I don't have that 16-week class, then the answer to this question would be no, and we'd go to the third question.

Did I confirm for you that I will be back for a later module? Just being registered for a later module isn't enough. You would have to get that written confirmation at the time I withdraw. And if the answer is no, I'm a withdrawal. If your terms are non-standard, then they would need to be coming back within 45 days.

So the total calendar days in the R2T4 calculation for a program offered in modules include all days that the student was scheduled to attend. What does that mean? Let's go back to our one, two, three, four module example. If I'm only scheduled to attend Modules 1, 2, and 4, you wouldn't count Module 3 in a withdrawal calculation. But what's making it even a little more challenging is that if I officially drop a course prior to ceasing attendance, then those days are not counted as scheduled to attend unless I'm enrolled in other courses on those days.

What does that mean? Let's say I'm scheduled in Modules 1, 2, and 4, and in the middle of Module 2, I tell you, "You know what? I'm not gonna do that Module 4 class." And I finish Module 2. I'm not a withdrawal 'cause I don't have any more days that I was scheduled to attend 'cause I dropped out of that before I finished Module 2.

When performing an R2T4 calculation, the days of completed courses count as part of the calculation if that course did not span the entire length of the term. If a student withdraws and you have modules and he doesn't give you written notification that he's coming back, so you do an R2T4 calculation, if I do come back, anyway, within the same term, within the same semester, then you can undo the R2T4 calculation and disburse the money that I was originally eligible for as long as that's supported by my enrollment status.

Since all of you have terms, we get to skip this slide, and this one. So we're almost done.

What I wanna do here is highlight for you some references that we have. There are lots of case studies in the handbook that will address how to make refunds. You've got the regularly site there, and then reference to some older Dear Colleague letters that would talk about the calculation portion of the refunds. Then you'll see a link to the FSA assessments. I don't know how many of you were at the session we did before lunch, but we actually have a hands-on session for FSA assessments for foreign schools which is a special tool, several tools that are designed to help you administer the Title IV programs, and one of those assessments is focused on refunds. And there are links to the regulations, tools to help you practice, and so you're welcome to come to that session. It's the last one this afternoon, and we'll show you how to use those assessments.

There's also that's the federal regular date where the new regulations were published. And as you've heard, it's very important when you go look at those regulation, especially for those of you who have programs offered in modules. Make sure you read the preamble to the regulations, as well as going back and reading to the preamble to the notice of proposed rulemaking. The preamble is gonna have a lot of conversation in at least hopefully somewhat more understandable English about what all of this module stuff means, what we were thinking. That's where you'll see those three questions listed.

And then we have a demo site that will help you do the electronic version of this calculation, and that's out at FASFAdemo.test.ed.gov. And there' is also a booth for that up in the PC lab. And Greg's gonna kinda walk you through an example that's at the end of your workbook. But before I turn this back to him, any questions about anything? It's late. You're ready to go. Yes, sir.

Audience: It's not a question, but _____.

Byron Scott: Yes, that's a correct statement. These regulations only apply to students who cease attendance or officially withdraw from all their courses. So if I started the semester and I'm scheduled in four classes, and I drop three of them, but I'm still going to one of them, I'm not a withdrawal for these purposes. Just like the flip side of that, too, is that I come in the fall. I finish the fall. I don't show up in the spring, I'm a withdrawn student. But because I never started in the spring, the R2T4 regulations do not apply, and if you made an early disbursement Greg talked about what you would have to do with that money.

Audience: *[Inaudible comment]*

Byron Scott: You are exactly right. I will repeat what she said. She said, "Our summer term, fall and spring are very standard, but in the summer –" and this is often the case, summer they can go for 6 weeks or 12 weeks or 8 weeks in a 6 and an 8 or whatever it might be –" does that mean if they withdraw in the summer, we would have to apply the module rules, but we wouldn't in the fall and the spring?" and the answer is yes.

And so for many people, at least in the United States, fall and spring, they may not have modules, but they do in the summer, because they'll often have mini sessions, for example, that they combine into one term for the summer. So it is possible that you may only have one term a year where all these module rules apply to you.

Anything else? All right.

Greg Martin: All right. Thanks, Bryon. We do have an example here for you at the back of your materials. And I guess just to start by saying that while sound and concept, the execution of this was a little bit flawed. Not only is this an example of how to do an R2T4 calculation, it's an example of the consequences inattentiveness and hubris, and some other things, as you'll see as we go on. I will correct all the – do you have the correct forms? Thanks.

Byron went through and did some of the corrected math. I really do apologize for it. I was quite proud of it when I finished it. No longer am I that proud of it.

[Laughter]

But it does serve as an example of how something can go wrong even when you understand the process quite well. It brings to mind looking over my daughter's math test a couple weeks ago. She got an 88 and she was disappointed. She missed a lotta questions because she simply was inattentive and not because she didn't understand the concepts. And so while I gave her dad speech about how you had to be careful, it didn't happen here. Were she here today, she'd be able to turn the tables on me.

You'll note that the exercise, the student I used, I thought this was clever, too, then I thought this I kind of insulting. I used Wilfrid Laurier because he was a Canadian Prime Minister. I knew a lot Canadians would be here and I thought they would have a infinity for this because of Mr. Laurier. Then I thought to myself, "Well, he was one of Canada's most famous Prime Ministers and perhaps Canadians wouldn't be too please about me using him as someone who withdrew from school," and so to set the record state, he did the withdraw. He completed his studies at McGill University and went on to be a great Prime Minister of Canada, which is more than is going to happen to me, I can tell you that. But let's go through this calculation.

You see that we have our student and we've got a Social Security number with demographic information. We have the date that the form was completed, so the day that this school completed our calculation was November 10th, 2011. I know some of your countries you reverse those things, but here, 10/11 would be the 10th of November. And we have a date of determination that the student withdraw, and that is the third of November 2011.

Going back to what Byron talk about with payment period, period of enrollment, you'll see here that we selected payment period. Why? Because you're term-based institutions. It is for the term. Some of our schools yesterday were making the mistake of when doing these calculations, using the entire year, thinking they should use the entire year, and you don't. You use the specific term. In this case, it's a fall term because that's applicable to this example.

So if we go down to Step 1, we were looking at the information on the aid the student received, or aid that was disbursed, or that could have been disbursed. Remember Byron talk about the fact that the aid may not have been disbursed. It could have been disbursed. And we'll here on the form how you account for all that.

If you look at the top part of the form, you'll note that it says Title IV great programs initially, has amount disbursed and amount that coulda been disbursed. I have not applicable in both of those categories because the only program you're dealing with here is Direct Loan. So grand aid is not even a subject for consideration. So when you're doing this yourself, you wouldn't see anything in those top blocks. At least you should. If you've got something up there, something's really gone wrong.

So we have zeroes up there for grant aid. We drop down to the loan programs. In our example, all of the aid has been disbursed. You can see that we're using the next amounts of the disbursements for unsubsidized FFEL for direct. There's no FFEL left. So it s Direct Loan, necessarily. Subsidized Direct Loan. And you would never see Perkins loan because you can't participate in that program, either.

We have Direct PLUS loan. This is a graduate student were dealing with here. So you can see all the amounts that we included, and my first math error was in adding up those numbers. You'd think at this age, I could add. My daughter, who's nine would have had no problem with this, but apparently I did, even using a calculator. And the total should be $15,074.00, last we checked. Byron confirmed that for me.

So you'll note here that all of the aid has been disbursed. If you move over to the block that says net amount that could have been disbursed, you'll note there's nothing there. And why is that? We've disbursed everything, so there wouldn't be anything over in amount that could have been disbursed. If this were a situation where you had yet to disburse any of this aid, the student had withdrawn, but for whatever reason you hadn't disbursed the aid, then that aid would have appeared over here in aid that could have been disbursed, so long as you had originated that loan prior to the student's having withdrawn.

We add up all of our aid, our categories for A, which dealt with grant, so that would necessarily be a zero. And B is the total amount of Title IV loans that was disbursed. That's $15,074.00, which was correct on that side, and C would be a grand aid, again, and that would be zero, always going to be zero. In this case D is zero because we've disbursed all of our loan. We don't have any that could have been disbursed. So our grand total is down there in G. And that is the total amount of the aid that was disbursed, or that could have been disbursed. Remember, Byron talking about you combining those totals because it ends up resulting in more eligibility for the student. So our total here is $15.074.00.

I did this calculation presuming that you've already disbursed the aid, because I thought it would be more indicative of what your likely to have done. It might not be in every case, but I think in most cases, you will have disbursed the aid when and if the student withdraws.

If we drop down to Block 2, we're looking at the start date for the term, the scheduled end date for the term, and the date of the student's withdrawal. So we're bb that down from the – in this case here, the scenario here would be student withdrew officially. So if the student came in on 11/03 and withdrew on 11/03 officially, then you would be able to make the determination on that day that the student withdrew. There wouldn't be any reason for you having to wait.

In an unofficial withdrawal situation, it might be later on until you figure out, for example, the student earned all *F*s, or had unearned *F*s, rather, and that the student withdraw. In this case, the student did an official withdrawal, so you'll note that the date of withdrawal was 11/3 and that that was the same as the date of determination.

We go down to H in Step 2, and it say the percentage of the payment period or period of enrollment completed. It's a very simple calculation. You take the number of completed days, in this case, 64, divide it by the number of days in the period of enrollment, which is 113, and you can see there that the percentage completed was 56.6 percent. Remember that the students earns the aid commensurate with the percentage of time he's completed. So in this case, he's completed 56.6.

I would bring your attention – or call your attention, rather, to the top of the calculation, that little white area that gives you the rounding conventions for doing these calculations. Monetary amounts should always be rounded to the nearest penny, and when calculating percentages, you go four digits out, you round back to three, and convert to a percentage. So in this case, we got 56.6. You would never take that and round it up or round it down. You'd use the actual percentage.

Note that it says if this percentage is greater than 60, enter 100 percent. Going back to our first couple of slides, where we said that if the student had completed more than 60 percent of the enrollment period, or period of enrollment in this case, he's earned 100 percent of the aid. But in this case, he hasn't earned more than 60 percent. He's only earned 56.6. That's all that's been completed. So we have to continue with the calculation. If this percentage is less than or equal to 60, enter the percentage in Box H. So we enter 56.6 percent in Box H.

We move on to Step 3, the amount of Title IV aid earned by the student. Very simply you take the percentage of time the student completed, which is 56.6 form Box H, and you saw where we got that. You multiply it by the total amount of aid that was disbursed or could have been disbursed, which is our $15,074.00, and we come up with an amount of aid that the student has earned. So because he was there 56.6 percent of the time, we multiply that by the aid, in this case was all disbursed, and we come up with $8,531.88. So of that $15,074.00, $8,531.88 is what has been earned.

If we drop down to Box 4, we're now going to figure out – we know how much the student has earned. Now we have to ask ourselves the question, "Have we disbursed more than the student earned, or have we disbursed less than the student earned? Or maybe we disbursed exactly what the student earned." That wouldn't be a very usual situation, but it could happen.

We go back down to four again, if the amount in Box I – that is the amount the student has earned, is greater than the amount in Box E, then you have a post-withdrawal disbursement. Let's go back up to Box E again. Box E is the total amount that was disbursed. If you had a figure in Box I that was greater than Box E, then what you would have – or greater than what's in Box E, what you would have is a situation where the student earned more than you had disbursed.

Say we hadn't disbursed anything here. All this was aid that could have been disbursed. Then you would have $8,531.00 there in Box I, but the amount in Box E would be zero, right, because you hadn't disbursed any of it. But in this case, as we see here, the student has earned less than we have disbursed, which necessitates a return. We don't put anything in Box J, because that would only have a positive number in it if you had disbursed less than what was earned. That's not the case.

So turn the page over to the second part of Step 4, and it says Title IV aid to be returned from disbursements for the period – that's Box E – subtract the amount of Title IV aid earned by the student. So we take the total amount that was disbursed, $15,074.00, and we subtract from that the amount the student earned, $8,531.88. *[Momentary audio interference]* I don't know why that's happening. Perhaps it's my phone. In case it is, I'll get rid of it.

Okay. So when we do that, you'll see there in K, that we have an amount that has to go back, and that is $6,542.12. So the bulk of the calculation's over at this point. You know how much the student has earned. You know how much has to go back. The only thing you don't know at this point, is who has to return it. So we need to think about what the law says, and the law says that it's the joint responsibility of the school and the student to make a return. But if I asked you to guess who has the primary responsibility for returning it, I bet you all could not answer that question. It's the school. So we're going to start with what the school has to return.

To figure out what portion of that $6,542.12 you need to return, you need to go down to Step 5, and the first thing it asks you there is for you to put in institutional charges for the period. These institutional charges should be what you would normally refer to as direct charges, and that would be tuition and fees that you charge the student, and board if you had room and board, if you had room and board contracted with the school, the student is living on university housing or something like that. Then you would put those costs in there as well.

What does not get included in there? Amounts for books, generally speaking. Unless the student is required to buy books from your school, or has no real reasonable opportunity to purchase them elsewhere, those are not institutional costs. So generally, these are going to be tuition charges, they're going to be fee charges, and that's what we see here. $32,500.00 tuition, and two fee amounts of $750.00, and $651.00. Our total institutional charges are $33,901.00.

One thing you wanna be careful about when you do these institutional charges, they are the initial institutional charges assessed to the student. Let's just say for augment sake that this university decides to give the student a refund of 25 percent. You may well refund 25 percent of that $32,500.00. That would not be reflected here. This would be the initial charge that you assess the student for the term, not the year.

So we know then that the total charges are $33,901.00. If you go down to Block M, we're going to figure out the percentage unearned. So we know the percentage that was earned. We're going to figure out the percentage unearned, and this is all in trying to determine what portion of this $6,542.12 needs to be returned by the school.

What the law says is that you take the total amount of age, percentage, 100 percent. You subtract from that the percentage that was earned, which is 56.6, and that yields 43.4 percent. And here's the major error that I made in *[laughs]* this calculation. This is very embarrassing 'cause I've been doing this about 20 years and this is really uncalled for, but yet I did it. There's no getting around it.

Let's look at N. And you should all be able to see the mistake that I made there. And so this is actually a teaching tool so maybe it's not as bad as I thought it was. Find a good way to spin this somehow. So we're taking the amount of unearned charges and we go up to the total institutional charges, $33,901.00. You should multiply that by the amount unearned – the percentage unearned. Not as I did, the percentage earned. You're trying to figure out what the school has to return, and the law says that the school has to return the percentage unearned or the total amount that has to go back, which is less.

In this case, you can either pretend that what I have in there is correct and put – it should be $33,901.00 multiplied by 43.4 percent. So you wanna scratch out that 56.6 and put in the 43.4. Where did you get it from? Box M. And the instructions, in fact, tell you to get it from Box M. So there's no excuse for making the mistake. So I expect all of you to do it perfectly.

If you had done it that way – if I had done it that way, let's be honest here, the amount you would have come up with in N would have been $16,733.03. That's $16,733.03. The beauty part of his is it's not gonna make any difference in the rest of the calculation.

What we've done here is say, okay, the school either has to return that amount of money, which represents the percentage of unearned aid, multiplied by institutional costs, or the amount that has to go back, whichever is less. You're not gonna have to return that full amount, that $16,733.00, because the total amount that has to go back is $6,542.00. You return the lesser of the two amounts.

What you pick up from this section, this part of the calculation is that in most cases where you have a higher-cost school – I don't know what your costs are, but I'm guessing for most of you, this $32,000.00 isn't too far from the mark, right? Whenever that cost is relatively high, when you do this calculation in almost every case, the figure you're going to come up with in N is going to exceed the amount that has to go back, which means you default to the amount that has to be returned.

So in most cases, you're going to be returning everything. When you look at the top of Step 4 in K, the amount that has to go back, $6,542.00, the school is going to have to return all of that. And that's what's going to happen in most cases, except those of you that have really low-cost scenarios. Yes.

Audience: The question that I have is that _____ charges of aid _____ India _____ country _____.

Greg Martin: That's a good question. Are institutional charges. Everything on this, should they be in US dollars or in the native currency? Everything on this form and everything with Title IV aid needs to be done in US dollars. So you keep US dollars whole. In this case, it was be the original amount of the tuition and fees assessed the student using the exchange rate that was in place when you assessed those fees. Now as Byron pointed out yesterday and is a good way of saying it, we don't have exact rules about what day that had to be calculated on and which source you had to get conversion from.

But you would want look at when you assess a student the fees at the beginning of the term, or whenever you inform the student of what that charge is going to be, you might want to make a note at the beginning of what the equivalent value is in US dollars, and then keep it whole. So when we get to the calculation, regardless of whether or not there have been currency fluctuations between then and now, which there probably will have been, you're going to use that initial charge as it was expressed in US dollars. Yes.

Audience: *[Inaudible comment]*

Greg Martin: It is.

Audience: *[Inaudible comment]*

Greg Martin: It is? What is it? I'll blame that one on Byron. He recalculated it.

Byron Scott: Hey, did it by hand –

[Crosstalk]

Greg Martin: He did it by hand –

Byron Scott: Back off.

Greg Martin: So what's the proper amount?

Audience: $14,713.03.

Greg Martin: Okay, $14,713.03. Okay, $14,713.03. Now I was just kidding with Byron. It's all my fault. $14,713.03. But see, you're learning something here today because it doesn't make any difference. It could be $1 million, right, for all we care? When would it make a difference? If you look at this calculation – should point this out – do any of you in here come from schools that you would consider to be exceptionally low cost? I don't see a lotta takers. I've been told, and I've been wrong about some other things today so this just could be a _____ as well, but I've been told that there low-cost schools in the Nordic regions, that those are very low-cost schools. Some Nordic schools are very low. They have rules about what they can charge, and it isn't much.

In that case, if you had very low tuition – say here the tuition was only $1,000.00. Institutional costs were only $1,000.00, you would have $1,000.00 multiplied by 56.6, so you'd only be retuning $560.60. So if the school only had to return that, then the balance due would be from whom? The student, right? So only in a low-cost scenario are you gonna see that. So for most of you, not an issue. You're going to be returning everything. And then, indeed, with what happens here.

Let's bounce down to Step 6, the return of funds by the school.

You know how much you have to return. You simply go down the loan programs, returning the money until you run out of money. You know that you have to return $6,542.00. We're starting with unsubsidized FFEL or DL. What amount did you get or give the startup from that program net? $5,970.00. You return everything to that loan program. You'd go down to the net one, size direct Stafford loan. All you've got left after you return $5,970.00 to the unsubsidized direct Stafford loan is $527.00. So you return that to the subsidized program. Now you've returned the complete $6,452.00 and the calculation is essentially over.

We go down to P. What is the total amount of loan the school has to return? $6,542.00. Grants are never gonna be an issue for you, so you're only ever going to be dealing with loans. You're not even gonna get down here to Pell grant. Why is the statutory order of return the way it is? Obviously, unsubsidized loans are less beneficial to the student than subsidized loans, so they'd go first. And you might wonder why then do not graduate loans go above the subsidized loan? Using my logic, because Congress says that that's not the way it works, so you just leave it at that.

If we go up to Step 7, we look at the initial amount of unearned Title IV aid due from the student, in our calculation here, $6,542.00 had to go back and you returned all of it, right? So how much is due from the student? Zero. Nothing is due from the student to the programs. There very well be may be money due from the student to who? The school, right? Because when you return this money, what's going to happen to the student's account? You're essentially debiting it from the student's account right?

Is there not now a balance due the school potentially? Yes. Is that allowable? Absolutely. I don't call it billing. Some people say can you bill the student. It's not billing the student for what you returned. It's simply taking it off the account, and that aid paid for some of the charges. If you take the aid away the charges are back right? You're not billing the student. It's what happens when you do the accounting. It's as simple as that.

So zero goes back from the student. Look at Step A with me because this is the last step we have to deal with. If hypothetically the school had returned less than the total amount, let's just for argument sake say that $6,452.00 was the total amount to go back, but the school only had to return $1,000.00, all right? The balance would have to be returned by the school, and that would show up in R. But would you should note here is that the statute says that even if the student has to return loans, he gets to return those loans under the terms or promissory note, which means he doesn't have to return anything, not right now. He pays it off the same he ordinarily would. So I can guarantee you – and you're probably think his guarantees aren't worth much given what we've seen here.

[Laughter]

But I can guarantee you'll never been in a situation where even if you have an occurrence where the school returns less than is owed back, that you'll ever had to go after the startup for the money. Or say, the students owes the Department of Education back this amount of money immediately. It can't happen with just loans. So once you get to Block 7 and you're done, you are done. That is it.

Last thing I wanna say about the calculation is it's a conceptual thing that a lotta people get stuck on because they don't like it. I've often found when you do training – and Byron probably has found the same thing – where people get stuck is not so much they don't understand the concept, they don't like the concept or the outcome of it. So they think in their heads, teacher, it cane t be correct, that can't be so, and yet it is. And I'll give you an example.

We had a gentleman yesterday that pointed out, well, apparently his school was a lower-cost institution. He said, "I did my loans, like I was supposed to. I created the student's account, and most of the loan proceeds went to the student for living expenses. Very little of those proceeds were credited to the account cover tuition at our institution. So the bulk if everything the student got went to the student. And yet you're telling me I have to return $6,542.00? The answer to which would be, "That's exactly what I'm telling you." It doesn't matter what the disposition of the funds were. Don't get caught up in that.

Even if every dime the student received in loans went to the student for living expenses and not one time of it went to your direct expenses, it would make no difference in the calculation whatsoever. When you do the calculation, this is the amount that you have to return.

The next question was, "Well, how am I gonna get that from the student?" I don't know. You can bill the student. You can write it off. You can try to dun the student? Then how are you gonna get it from the student's back in the United States/I doubly don't know that answer for you. So is it possible you could be out money? Absolutely. The only good thing here is that I doubt many of you have a lot of withdrawals, so it's not something you face a lot of. The way I say American community college may have hundreds of these every term. You're probably not facing that situation. Any questions? Right over here.

Audience: *[Inaudible comment]*

Greg Martin: Right. Institutional charges.

Audience: *[Inaudible comment]*

Greg Martin: Get the rules straight on this. If it's required of all students and it would in effect even if the student withdrew, then it's an institutional charge, right? To repeat that, if it's required of all students and it would be in effect even if the student withdrew then it is an institutional charge. Yeah, so you would include that in institutional charges. But in most cases – yesterday, everybody got hung up with institutional charges. Byron addressed this simply by saying, "Don't get too hung up on it." Not that you shouldn't do it correctly, but in most cases, it's not gonna make any difference.

What if these institutional charges weren't $33,000.00, but $35,000.00 or $48,000.00 or $120,000.00? What difference would I have made here? Nothing. Any other questions we can help you with.

Byron Scott: All right.

Greg Martin: You have our contact information, and we thank you for coming.

Byron Scott: Thanks. Go to the assessment session next if you want.

Greg Martin: Yeah. Have a good rest of the conference.