

R2T4 Update: Changes and Implementation Considerations

The U.S. Department of Education’s (ED) [Distance Education and Innovation Final Rule](#) introduced several significant updates to the requirements for institutional Return of Title IV Funds (R2T4) calculations for students who withdraw during a payment period or period of enrollment. Although these changes were effective July 1, 2021, ED has been issuing ongoing guidance—as recently as November 24, 2021—via its [R2T4 Program Integrity FAQ page](#), and schools are in the process of operationalizing this guidance. This article will cover the most significant changes to the R2T4 requirements, including new withdrawal exemptions and the concept of a R2T4 “Freeze Date”, highlight some key components that have not changed, and identify several practical considerations for implementation.

New Withdrawal Exemptions to Completing a R2T4 Calculation

The final rule introduced three new exemptions to when a student is considered withdrawn for the purpose of R2T4 calculations. A R2T4 calculation is not required even if a student ceases attendance without completing the payment period or period of enrollment, if:

- they meet the requirements for graduation
- they have successfully completed 49% or more of the scheduled days of the period (for programs offered in modules only), or
- they have successfully completed the equivalent of half-time enrollment for the period (modules only).

It is important to note that even if an institution determines a student is exempt from the R2T4 calculation, Pell Grant recalculation rules apply (e.g., for any courses in which a student does not begin attendance).

These new exemptions also have implications for enrollment reporting to the National Student Loan Data System (NSLDS), which are described below and detailed in the September 2021 version of the [NSLDS Enrollment Reporting Guide](#) (p. 23).

Graduation Exemption (All Programs)

If a student ceases attendance from their remaining coursework because they already meet the requirements for graduation, they are not considered withdrawn and no R2T4 calculation is required. This exemption applies only if the student graduates from the program for which they received Title IV aid in that payment period or period of enrollment. In some cases, an institution will award a credential to a student who meets one program’s graduation requirements but does not satisfy the graduation requirements for the student’s current program of enrollment, and the awarding of an alternative credential would not exempt the student from an R2T4 calculation. For example, students may enroll in programs that are stackable. If a student completes a stackable certificate and is awarded a credential for that certificate program, but then drops from school when enrolled in a degree program or another stackable certificate program for which the student has received aid, the R2T4 calculation exception does not apply.

If a student completes the requirements to graduate from a clock hour program without completing all the clock hours expected for the program, the institution must prorate both Pell Grant and Direct Loans based on the number of clock hours the student actually completed. The weeks of instruction are not included in this proration calculation.

For NSLDS reporting purposes, the institution should not treat a student who qualifies for this graduation exemption as withdrawn but should report the effective date for a completion/graduation status (“G”) using the date that is consistent with the institution’s regular policies for assigning a graduation date. In some cases, an institution may not determine that a student’s reason for withdrawal is program completion until after the student has been reported to NSLDS as withdrawn. If this occurs, the institution may have to add the student and their program back to the Enrollment Reporting Roster to ensure the student’s status is correctly reported and the student receives the correct grace period for their loans.

49% of Days Exemption (Only Programs Offered in Modules)

A student is not considered withdrawn if the student successfully completed 49% or more of the days in the payment period or period of enrollment in which the student ceased attendance. When calculating the 49% threshold, all modules for which the student earned at least one passing grade should be included in the numerator. To determine the denominator, an institution should take all the days between the start and end date of the regular term or all the terms in the period of enrollment, and then subtract any scheduled breaks of five consecutive days or more and all days between modules including weekends. Unlike the denominator in the R2T4 calculation itself, the denominator used in the 49% calculation should be the same for every student in the program for that payment period or period of enrollment (i.e., not based only on modules a student was scheduled to attend). Also, the percentage completed cannot be rounded up to 49%.

Half-Time Completion Exemption (Only Programs Offered in Modules)

A student similarly is not considered to have withdrawn if the student has successfully completed the equivalent of half-time enrollment for the payment period or period of enrollment. For example, for an institution that defines full-time enrollment as 12 credit hours, the student would need to have completed 6 or more credit hours with a passing grade to qualify for this exemption.

For purposes of both the “49% of days” and “half-time completion” exemptions, a passing grade or successful completion is defined as a D or better in the module and would not include grades such as incomplete or an earned or unearned F. If an institution’s general grading policy (as opposed to an individual academic department or program-specific grading policy) requires a higher grade to be considered passing, that standard must be used to determine eligibility for these exemptions. To be clear, the concept of “successful completion” is relevant only to determining the withdrawal exemptions—e.g., a student who earns a failing grade in a module (earned F), but proceeds into their next scheduled module, is not considered to be withdrawn. A student also is not considered to be withdrawn if an institution obtains written confirmation from the student that they will be resuming attendance in a future module in the same payment period that begins within 45 calendar days from the last day of the module the student ceased attending.

For NSLDS reporting, the institution should report a student who qualifies for the 49% of days or half-time completion exemptions as withdrawn as of the final day of the term in which the student was last enrolled which may not be the same as the student's withdrawal date or last day of attendance within the term.

Implementation Considerations

We recommend institutions consider the following in implementing the new withdrawal exemptions:

Graduation Exemption Implementation: Institutions should determine what procedures are needed to identify students who cease attendance because they have graduated. The financial aid office may need to communicate with the office on campus that determines when graduation requirements are met to operationalize the procedure. Also, the institution may need to review the process for timely reporting of graduation information to NSLDS to ensure it is in sync with the R2T4 procedures.

Proactively Avoid Confusion on the 49% of Days Exemption: For programs offered in modules, it is easy to confuse the 49% of days exemption with the calculation of the denominator used in the R2T4 calculation when a student is considered withdrawn (i.e., the calculation that measures the percent of aid earned). To minimize this confusion, it is advisable to proactively calculate the denominator of the 49% calculation in advance of each term and to include it in any R2T4 processing tools and worksheets as this number will be the same for all students in a program.

Ensure Accurate Enrollment Reporting: At many institutions, enrollment reporting is managed by the registrar or records office. The financial aid office should work with the office responsible for enrollment reporting to ensure they understand the change in reporting withdrawal dates for students who qualify for the 49% of days exemption and the half-time completion exemption, and to develop a procedure to share these determinations between offices. Configuration changes to the institution's student information system or manual reporting to NSLDS may be required to comply with the new guidance.

Ensure That Withdrawn Students are Reviewed for Both the 49% of Days and Half-Time Completion Exemption: Institutions should develop procedures to ensure students who cease attendance in programs offered in modules are reviewed for both possible exemptions prior to performing a R2T4 calculation. Without detailed policies and procedures, the employee performing the calculation may not understand that students should be evaluated under both sets of criteria.

Changes to the Denominator and the New R2T4 Freeze Date (Only Programs Offered in Modules)

Perhaps the most significant change in the R2T4 calculation for programs offered in modules is to the denominator used to determine the percentage of Title IV aid earned for R2T4 purposes. Under the new federal guidance, an institution includes the days of a particular module in the denominator if the student attended at least one day in the module, or the student did not attend at least one day in the module but the module was used in calculating the student's Title IV eligibility (because the student was scheduled to attend that module). Along with this change, the Department has offered institutions the option of using a R2T4 Freeze date ("RFD") or multiple RFDs for multiple modules, which results in a different determination of the denominator used in the R2T4 calculation.

Institutions that Opt to Implement an RFD

An RFD allows an institution to consider a student's enrollment schedule at a fixed point to determine the number of days a student is scheduled to attend in the denominator of the R2T4 calculation. If an institution opts to implement an RFD (or multiple RFDs), it should understand the term "freeze date" is a bit of a misnomer because, while it somewhat limits the circumstances in which the denominator might change, it does not truly "freeze" the denominator.

Institutions using an RFD would include days in the denominator of the R2T4 calculation if:

1. The student was registered in the module as of the RFD, or
2. The student attended at least one day in the module.

This means a student could add a course after the RFD that qualifies the student for additional Title IV aid, and the newly added course must be included in the denominator if the student begins attendance in that course and later withdraws.

If a student withdraws before the RFD, the denominator is calculated differently and must include the days of any module in which the student began attendance and any module the student was enrolled in as of the withdrawal date. Essentially, the student must be enrolled on the RFD for the RFD to apply to the student's R2T4 calculation.

If an institution opts to use multiple RFDs for multiple modules, the RFD that applies to the student is associated with the last class in which the student enrolls and attends. In other words, if a student never begins attendance in a module, that module's RFD cannot be applied for the student.

ED emphasizes that if an institution chooses to implement a RFD, it should not occur prior to when most students enroll for classes for the period. Institutions are prohibited from timing the RFD to occur when students are likely to only be enrolled in a single module and subsequently enroll in additional modules. Institutions are also prohibited from updating their RFD policy once the payment period or period of enrollment has begun as that would result in different treatment of students enrolled in the same program. Therefore, it is important to decide on implementing a RFD and documenting that decision prior to the beginning of the payment period.

Institutions that Do Not Opt to Implement a RFD

If an institution does not opt to implement a RFD, it must monitor enrollment changes throughout the entire registration period, and added or dropped courses can cause the scheduled days to change in the denominator of the R2T4 calculation. Additionally, the days included in the R2T4 calculation vary by the type of aid the student received. If the student is only eligible for Pell Grant, Iraq-Afghanistan Service Grant (IASG), or TEACH Grant funds, the days in a module are included in the denominator only if the student began attendance in the module. However, if the student is eligible for Direct Loans or FSEOG, the days in the module must be included in the denominator if the student was registered for the module on the first day of the period or at any time during the period regardless of whether the student began attendance in the module. During the 2021 Federal Student Aid Conference ([Breakout Session #18](#)), ED clarified that it is defining "eligible" for Direct Loans similarly to how it does for the "disbursed" and "could have been disbursed" fields in the R2T4 calculation.

Implementation Considerations

If a program is offered in modules, an institution should determine if using a RFD would best serve its students based on historical enrollment and withdrawal patterns. The relevant considerations will vary by institution. Questions to ask include: Would a RFD reduce the return of funds for the students and the institution? Do students frequently receive only Pell Grant/IASG/TEACH Grant funds? Is there a date in which most add/drop activity ends for the payment period? Are new reports required to identify students who register for courses after the RFD and subsequently withdraw?

If an institution decides to implement a RFD or multiple RFDs, it is a policy decision that should be documented in the financial aid policies and procedures manual and made before the start of a payment period or period of enrollment. ED has acknowledged that no single approach is right for all institutions, and Powers would be happy to help evaluate scenarios.

What Hasn't Changed?

Whereas the changes mentioned above are clearly significant, many of the core components of the R2T4 calculation remain the same. In its April 2021 webinar ([slides](#), [recording](#)), on the relevant [R2T4 Program Integrity FAQ page](#), and in [Breakout Session #18](#) of the 2021 Federal Student Aid Conference, ED emphasizes the following:

- Withdrawal date and date of determination as they relate to official and unofficial withdrawals for attendance-taking and non-attendance-taking institutions remain unchanged (unless one of the new exemptions apply).
- A student earns 100% of their Title IV aid if they persist beyond the 60% point in a payment period or period of enrollment.
- The calculation of institutional charges used in the R2T4 calculation has not changed. Institutions should use the initial charges the student incurred for the period and should only make adjustments to reflect changes to charges that occurred prior to the student ceasing attendance.
- A student is not considered withdrawn if they provide the institution with written confirmation they will be resuming attendance in a future module in the same period (Note: there is new guidance on the timeframe for the student resuming attendance. The timeframes are 60 calendar days after the student ceased attendance for non-term programs or subscription-based programs and 45 calendar days after the last day of the module the student ceased attending for term-based programs).
- Students should receive Title IV aid only for courses that satisfy degree requirements, and only those courses should be included in the R2T4 calculation.
- If a student attends a course that spans the entire scheduled term and receives an earned grade (including an earned F), the student is not considered to be withdrawn.

Determining if a student began attendance in a course continues to be key. If a student never began attendance in a course, there are implications for Federal Pell Grant recalculation requirements and the figures used in the R2T4 calculation.

Additional Considerations for Implementation

In addition to the considerations for implementation mentioned above, we recommend institutions consider the following

Review and Update the Policies and Procedures for R2T4: Because financial aid offices are so busy, policies and procedures manuals can sometimes languish. The above-mentioned changes likely require several updates to the financial aid policies and procedures manual, as well as updates to any worksheets or tools the financial aid team uses to complete the R2T4 calculations. Of course, it also is important to ensure the team members completing the R2T4 calculations receive thorough training on the changes. Once ED publishes Volume 5 of the 2021/22 Federal Student Aid Handbook, it is also advisable to ensure that consumer information related to R2T4 includes any newly required elements.

Monitor the R2T4 Program Integrity Page for Additional Changes: Although the final rule took effect in July 2021, ED was issuing additional guidance as recently as late November 2021. As institutions work through the implementation of these changes, it is expected that ED will continue to provide clarification.

If you have any questions or need assistance in updating your institution's R2T4 policies and procedures based on the new regulations and guidance, please contact [Dr. Cynthia Grunden, Financial Aid and Higher Education Specialist](#), or the Powers professionals with whom you regularly work.