

# Prosper Act: Return to Title IV

Part 1 of a 3 part Series on the Prosper Act

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# Overview Return to Title IV (R2T4)?

- ▶ Federal aid is paid to students based upon a period of enrollment (payment period) with the expectation the student will complete the entire timeframe for which the aid is calculated. If the student does not complete the entire time for which the aid was calculated, the aid must be recalculated for the time the student actually did attend. This requirement is what is known as Return to Title IV - or returning to the U.S. Department of Education (ED) any federal funds for which the student was not entitled due to not having completed the period of enrollment (payment period).
- ▶ Continuously among the top 10 program review and audit findings, the R2T4 formula is quite complex - three pages long. Financial Aid Administrators have asked for a simpler version for which administration and compliance is easier.
- ▶ The Prosper Act proposal seeks to simplify the R2T4 formula. The proposal has the additional intent to hold institutions more accountable to ensure students complete their period of enrollment by extending their liability in proportion to the formula percentage.

# Current R2T4 Formula

- ▶ When it has been determined a student has not completed any classes in an enrollment/payment period for which aid was calculated and paid, the first step in the R2T4 process is determining the Last Date of Attendance (LDA). The LDA may be determined by the date of an official withdrawal from classes or the student may be determined to have unofficially withdrawn (dropped out) in which case the last date the student participated in classes is considered the LDA. Once the LDA is determined, the formula is its most simplified version is to divide the number of days attended by the total number of days within the period of enrollment to determine a percentage attended.
- ▶ Example 1: Enrollment period = 120 days | Student attended 60 days |  $60 / 120 = 50\%$
- ▶ Example 2: Enrollment period = 90 days | Student attended 60 days |  $60 / 90 = 67\%$
- ▶ Example 3: Enrollment period = 120 days | Student attended 50 days |  $50 / 120 = 42\%$

# Tipping Point = 60%!

- ▶ Once the completion percentage is determined, the student's aid is recalculated to determine the amount of aid he/she had "earned" or was entitled to receive.
- ▶ Currently, if a student is determined to have attended at least 60% of the enrollment period, they are considered to have earned 100% of the aid and institutions are not required to return any funds to the U.S. Department of Education (ED). Therefore, 60% - 100% attendance of an enrollment period = no returned funds.
- ▶ Link to Current Credit Hour R2T4 Formula Worksheet -- <https://ifap.ed.gov/aidworksheets/attachments/CreditHourWorksheets2017.pdf>

# Proper R2T4 Proposal

- ▶ Prosper Proposal: In an effort to simplify the formula and urge schools to encourage students to attend further into the enrollment period, the R2T4 formula would be changed to percentage increments of 25% - 50% - 75% - 100%. This change would mean that 75% - 100% attendance of an enrollment period = no returned funds, rather than 60% - 100%. The differential between 60% (of the current formula) and 75% (proposed) would mean that institutions would be returning roughly 15% more aid. This is what concerns schools.
- ▶ The National Association of Student Financial Aid Administrators (NASFAA) is also concerned that the change would result in stricter admissions standards so colleges could ensure students had the potential to complete an enrollment period especially if the new lowest percentage starts at 25% which could also result in a greater financial liability for schools.

# A Look at Barton's Average R2T4Completion Percentages Over Several Terms

<b>Term</b>	<b>Completion %</b>
201601	63.83%
201602	60.68%
201603	62.01%
201701	68.78%
201702	64.67%
201703	58.63%
201801	62.50%



# Estimated Cost to Barton if the R2T4 Formula to Changed to the Prosper Proposal

Aid Year	14-15	15-16	16-17
Funds return to ED due to R2T4	57,039.00	56,649.00	37,897.00
Estimated Increased Cost per Year to Barton	<b>8,555.85</b>	<b>8,497.35</b>	<b>5,684.55</b>

# Actions Barton Can Take to Mitigate Impact of Proposed Change

- ▶ Ensure students complete at least one class.
- ▶ Monitor student interaction and intrusively engage with students with low or no interaction who may appear to be at risk for stopping out.
- ▶ Encourage enrollment in part of term classes of which students are more likely to complete.
- ▶ Disburse federal aid incrementally. (More on this in Part 2 of this series!)