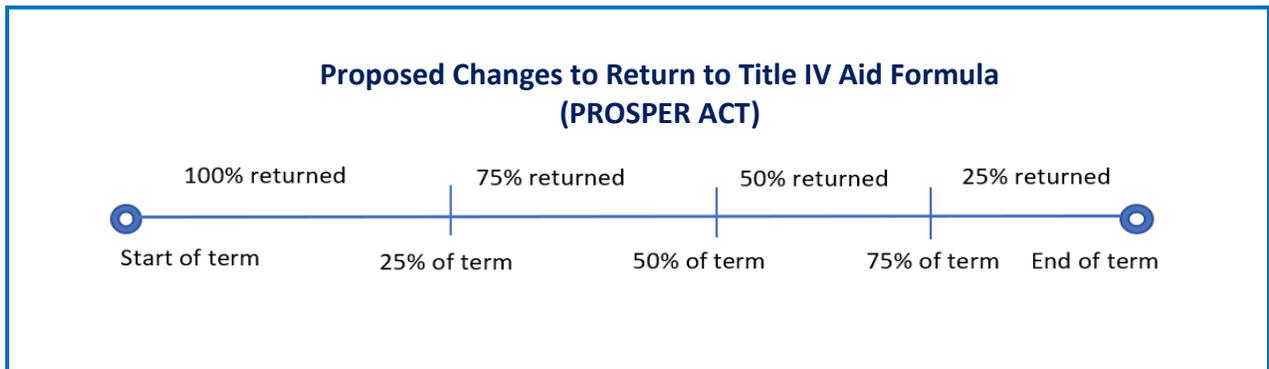
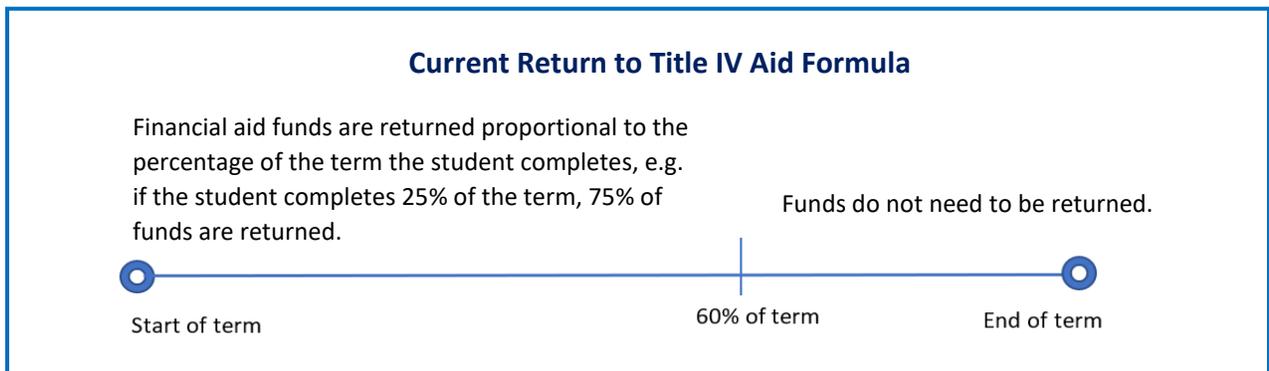


Risk Sharing and Return of Title IV Funds

The House’s HEA reauthorization bill, the [PROSPER Act](#) includes changes to Return of Title IV Funds (R2T4) so that colleges will pay back a larger share of Title IV funds when a student withdraws prior to completing their coursework.

The bill creates new tiers of penalties that would ultimately result in community colleges owing more money back to the federal government. These penalties will predominately be greater for institutions that enroll low-income and at-risk populations.

Additionally, institutions would be responsible for repaying 90 percent of R2T4 funds. Currently, under R2T4 students who withdraw prior to completing a semester are responsible for returning funds disbursed under R2T4. However, in many instances institutions repay these funds as they are unable to collect them from students who have withdrawn.



If enacted into law many community colleges would be responsible for paying millions of federal aid dollars to the Department of Education. Implementation of risk sharing at community colleges will inevitably result in either increased tuitions or reduced educational services for students, and very likely both. There simply is no other option for these thinly resourced institutions. Community colleges operate on the margins, and small declines in revenues, whether due to budget cuts or decreased enrollments, often lead to immediate reductions in personnel and other core services.

We Need Your Help

We request that you work with your college to figure out how these changes may impact your institution. Institutional data on R2T4 are not publicly available. Without your assistance we cannot demonstrate the practical impact of risk sharing penalties.

We have provided a [sample template](#) for colleges to demonstrate the impact of this proposal. Colleges are welcome to make edits or create their own template.

You will likely need the following information to complete the template:

- Over the last academic year how much did your institution/students owe to the Department of Education under R2T4?
- Percentage of Title IV-aided students withdrew during the last academic year. And when they withdrew.
- To the greatest extent possible, an estimate of the total amount of Title IV funds not “earned” by students during that academic year under the PROSPER Act. (Withdrawal date unknown = 50% of term completed.)

Percentage of term completed / Aid earned

Withdrawal at 0 – 24% earns 0%

Withdrawal at 25 – 49% earns 25%

Withdrawal at 50 – 74% earns 50%

Withdrawal at 75 – 99% earns 75%