

Volume 2

School Eligibility and Operations

Table of Contents

Introduction	2-1
Notes on Active Links.....	2-1
Noteworthy Changes.....	2-1
Chapter 1—Institutional Eligibility	2-5
Type and Control	2-5
The three types of eligible institutions.....	2-5
Institutional control.....	2-5
<i>Graphic, Type and Control of Eligible Institutions</i>	<i>2-6</i>
Basic Criteria for Eligible Institutions.....	2-7
Legal authorization by a state.....	2-7
Authorization to operate postsecondary educational programs.....	2-8
<i>Graphic, How different types of schools meet state authorization requirements</i>	<i>2-9</i>
State complaint process.....	2-9
Accreditation.....	2-10
Alternatives to regular accreditation.....	2-10
Primary accreditor.....	2-10
Dual accreditation.....	2-10
Admissions Standards	2-11
High school diploma.....	2-11
Recognized equivalent of a high school diploma	2-11
Checking the validity of high school completion.....	2-12
Homeschooled students and compulsory school attendance.....	2-12
Preparatory programs for students without a high school diploma or equivalent	2-12
“Two-Year” Rule for New Proprietary or Vocational Schools.....	2-13
Losing Eligibility.....	2-14
Limitations	2-14
Bankruptcy or crimes involving FSA programs	2-14
Participating in the TEACH Grant Program	2-15
Applying as an Eligible Nonparticipating School.....	2-16
Withdrawal Rates.....	2-16
The Program Participation Agreement	2-17
Purpose and scope of the PPA.....	2-17
Beginning to disburse funds when first signing the PPA.....	2-17
Expiration or termination of the agreement	2-17
<i>Graphic, Selected Provisions of the PPA</i>	<i>2-18</i>

Chapter 2—Program Eligibility, Written Arrangements, & Distance Education	2–21
Determining Program Eligibility	2-21
Basic Types of Eligible Programs	2-22
Eligible programs at an institution of higher education	2-22
Eligible programs at a proprietary or postsecondary vocational institution.....	2-23
<i>Graphic, Completion and Placement Rates for Short-Term Programs.....</i>	<i>2-24</i>
Programs Leading to Gainful Employment	2-25
Programs offered by for-profit institutions	2-25
Programs offered by public and private non-profit institutions	2-25
State requirements and program length.....	2-26
Certification requirements for GE programs	2-26
Additional Eligibility Requirements.....	2-27
TEACH Grant eligible programs.....	2-27
Programs for students with intellectual disabilities.....	2-28
ESL programs	2-28
Competency-based education programs.....	2-29
Types of CBE programs.....	2-30
Apprenticeships	2-32
Study-abroad programs.....	2-32
Types of study-abroad programs.....	2-33
Flight school programs.....	2-33
Written Arrangements Between Schools	2-34
Consortium agreement.....	2-34
Contractual agreement.....	2-35
Distance Education and Correspondence Study	2-36
Distance education	2-36
Correspondence courses	2-37
Determining Program Eligibility and Clock-Hour to Credit-Hour Conversions	2-38
Definition of a clock hour	2-38
Definition of a credit hour	2-38
Clock-hour to credit-hour conversions in determining program eligibility.....	2-39
Credits approved by state and accrediting agencies	2-39
State requirements and clock-hour to credit-hour conversions	2-40
Out-of-class student work.....	2-40
<i>Graphic, Clock-Hour to Credit-Hour Conversion Example</i>	<i>2-42</i>

Chapter 3—FSA Administrative & Related Requirements	2-47
Administrative Requirements for the Financial Aid Office	2-47
Consistency of information and conflicting information.....	2-47
<i>Graphic, Sources and Examples of Conflicting Information</i>	<i>2-49</i>
OIG referrals.....	2-50
Coordinating official.....	2-50
Counseling.....	2-51
Adequate staffing.....	2-51
System of checks and balances.....	2-51
Ownership, Employees, and Contractors	2-52
Debarment of school owners or staff.....	2-52
Certifying current or prospective employees or contractors.....	2-53
Lower-tier covered transactions	2-54
Crimes involving FSA program funds.....	2-54
Code of conduct	2-55
Compensation for serving on an advisory board	2-55
Contracts with Third-Party Servicers	2-56
Requirements of a third-party servicer contract.....	2-57
Excluded functions	2-58
Excluded entities	2-58
Incentive Compensation Prohibition	2-59
<i>Graphic, Table 1: Activities covered by prohibition on incentive compensation.....</i>	<i>2-60</i>
<i>Graphic, Table 2: Types of payments covered by prohibition on incentive compensation.....</i>	<i>2-61</i>
<i>Graphic, Table 3: Definitions</i>	<i>2-62</i>
Required Electronic Processes	2-63
<i>Graphic, Validation of TG Numbers Required by December 13, 2019</i>	<i>2-63</i>
<i>Graphic, Summary of Required Electronic Processes.....</i>	<i>2-64</i>
Information for Financial Aid Professionals (IFAP)	2-65
Minimum system requirements.....	2-65
Sharing Information with NSLDS, Federal Loan Servicers, and Guarantors.....	2-66
Reporting student enrollment data to NSLDS.....	2-66
Updating borrower information at separation	2-67
Sharing information about delinquent and defaulted borrowers	2-67
Financial Aid History And Transfer Monitoring	2-68
Satisfactory Academic Progress (SAP)	2-68
Basic elements of an SAP policy.....	2-69
Provisions for U.S. Armed Forces Members and Families	2-69
In-state tuition rates for active duty service members and family attending public institutions	2-69
Readmission of service members.....	2-70
Executive Order 13607: Principles of Excellence.....	2-72
<i>Graphic, Readmission for Service Members—Additional Information.....</i>	<i>2-73</i>

Chapter 4—Audits, Standards, Limitations, & Cohort Default Rates	2-75
FSA Audit Requirements for Schools	2-75
Single Audit Act not applicable.....	2-76
Timing of Audit Submissions	2-76
Simultaneous FSA audit submissions	2-76
Submission dates for FSA audits.....	2-77
Waivers of requirement for an annual FSA audit	2-78
<i>Graphic, Qualifying for and Effects of Waivers.....</i>	<i>2-79</i>
Standards and Guidelines for FSA Audits.....	2-80
Audited financial statement requirement.....	2-80
FSA compliance audits	2-80
Single Audit Act (A-133 audit) guidelines.....	2-81
Exemptions	2-81
FSA consolidated statements.....	2-82
90/10 Revenue Test.....	2-82
<i>Graphic, Counting Revenues for the 90/10 Rule</i>	<i>2-84</i>
Audit and Audit Review Process	2-86
Having the audit performed.....	2-86
Review of FSA audit submissions	2-86
Access to records	2-86
<i>Graphic, Submitting financial statements and audits</i>	<i>2-87</i>
Audits for Third-Party Servicers	2-88
Demonstrating Financial Responsibility.....	2-89
Financial responsibility for public schools	2-89
Financial responsibility for proprietary or private nonprofit schools.....	2-90
Standards for Financial Responsibility.....	2-91
Composite score	2-91
Refund reserve standards.....	2-91
Returning funds in a timely manner.....	2-91
Compliance thresholds for timely return of funds	2-92
Letter of credit required when funds are not returned in a timely manner	2-92
Exceptions to the letter of credit requirement	2-93
Current in debt payments	2-93
<i>Graphic, Calculating a Composite Score</i>	<i>2-94</i>
Alternatives to the General Financial Standards.....	2-96
Letter of credit alternative for new schools	2-96
Letter of credit alternative for participating schools.....	2-96
Zone alternative.....	2-97
Provisional certification for schools not meeting standards	2-98
Provisional certification for schools where persons or entities owe liabilities.....	2-99
Past Performance and Affiliation Standards.....	2-100
Past performance of a school.....	2-100
Past performance of persons affiliated with a school	2-100
Limitations	2-101
Limitation on students admitted without a high school diploma or equivalent.....	2-102
Incarcerated student limitation and waiver.....	2-102
Correspondence course and correspondence student limitation.....	2-103

<i>Graphic, Calculating the Percentages</i>	2-104
Cohort Default Rates	2-105
Time frames for cohort default rates	2-105
Consequences of high cohort default rates	2-106
Default prevention and management plan	2-107
Default prevention and management plan for new schools	2-107
Rescission of Gainful Employment Regulations.....	2-108
Debt-to-earnings (D/E) Rates for GE Programs.....	2-108
Calculation of D/E rates	2-109
Exclusions	2-111
Draft rates and challenges	2-111
Outcomes of the D/E rates measure	2-112
Transition period calculation.....	2-112
Appealing final rates	2-113
Using a survey to get earnings data	2-113
Using a state-sponsored data system for earnings data	2-113
Timing of an appeal	2-113
Consequences of failing and zone rates	2-114
Chapter 5—Updating Application Information	2-117
Recertification	2-117
Change in Ownership	2-118
Changes at public institutions.....	2-118
Change in ownership that results in a change of control, structure, or governance.....	2-118
Change in ownership for closely held corporations.....	2-119
Change in ownership for publicly traded corporations	2-120
Change in ownership for corporations that are not closely held or registered with the SEC.....	2-120
Changes in Ownership Interest and 25% Threshold	2-121
Steps to be Taken During A Change in Ownership.....	2-122
Steps to be taken by former owners.....	2-122
Steps to be taken by prospective owners	2-122
Accepting liabilities and responsibility for return of funds	2-123
Payments to eligible students.....	2-123
Temporary Approval for Continued Participation	2-124
Pre-acquisition Review	2-125
The APAR option	2-125
The CPAR option	2-126
Reporting Substantive Changes.....	2-127
Approval required from accreditor and state agency	2-128
Notification of school closure or bankruptcy.....	2-128
Changes to Location, Branch, or Campus.....	2-128
Eligibility of additional locations	2-128
Reporting a new location	2-129
Applying for approval of a new location.....	2-129
Changing the status of a campus or branch.....	2-130
Changes to Educational Programs.....	2-130
Adding a program and determining eligibility.....	2-130

Updating a program	2-131
Changes in Accreditation	2-131
Change in institution-wide accreditation.....	2-131
Changing to accreditation by more than one institution-wide accrediting agency	2-132
Loss of accreditation.....	2-132
Changes to Third-Party Servicers.....	2-132
<i>Graphic, Changes Requiring Written Approval From the Department.....</i>	<i>2-134</i>
<i>Graphic, Changes That Do Not Require the Department’s Written Approval</i>	<i>2-135</i>
<i>Graphic, Foreign School Reporting on the E-App.....</i>	<i>2-136</i>
<i>Graphic, Other Changes Reported on the E-App.....</i>	<i>2-136</i>
<i>Graphic, Documentation Required for Approval of a Branch Campus</i>	<i>2-137</i>
Chapter 6—Consumer Information and School Reporting.....	2-139
Availability of Information	2-139
Notice to enrolled students	2-139
Web dissemination	2-140
Availability of employees for information dissemination purposes	2-141
General Student Disclosures	2-142
Financial assistance available to students.....	2-142
Information about the school’s academic programs, costs, facilities, and policies	2-143
Academic programs.....	2-143
School costs.....	2-143
Withdrawal procedures, refunds, and return of aid	2-144
Accreditation and licensure	2-144
Disability	2-144
FSA eligibility for study abroad.....	2-144
Transfer of credit policies	2-144
Contact information	2-145
Penalties and institutional policies on copyright infringement	2-145
<i>Graphic, Sample Statement of Penalties for Copyright Infringement.....</i>	<i>2-145</i>
Student activities	2-146
Student body diversity	2-146
Net price calculator.....	2-146
The College Financing Plan (formerly the Financial Aid Shopping Sheet)	2-146
Completion, Graduation, Transfer, Retention, and Placement Rates	2-147
Reporting rates to IPEDS.....	2-148
Retention, placement, and post-graduate study.....	2-148
Disclosures and Gainful Employment Programs	2-149
Disseminating information about gainful employment programs.....	2-149
Campus Crime and Safety Information	2-150
Crime log	2-150
Crimes to be reported.....	2-151
Reported crimes must be recorded	2-151
Fire log.....	2-152
Annual submission of campus security and fire safety statistics	2-152
<i>Graphic, Definitions Related to Crime Reporting</i>	<i>2-153</i>

<i>Graphic, Required Contents of Annual Campus Security and Fire Safety Reports</i>	2-154
<i>Graphic, Sample Statement of Availability</i>	2-156
Distributing security and fire safety reports to enrolled students and current employees	2-156
Disseminating reports to prospective students and employees	2-157
Missing persons procedures.....	2-157
<i>Graphic, Handbook for Campus Crime Reporting</i>	2-157
Emergency response and evacuation.....	2-158
Timely warning and emergency notification	2-159
Drug and Alcohol Abuse Prevention.....	2-160
Information to be included in drug prevention materials for students and employees.....	2-160
Distribution of materials to all students and employees	2-160
Drug and alcohol abuse prevention program	2-161
Drug-Free Workplace requirements for Campus-Based schools.....	2-161
Information about Athletics	2-162
The EADA Report	2-162
Completion and graduation rates for student athletes.....	2-163
Textbook Information	2-164
Loan Counseling	2-165
Entrance counseling	2-165
Exit counseling	2-166
Providing borrower information at separation.....	2-166
Counseling methods.....	2-166
TEACH Grant exit counseling	2-167
Counseling for correspondence and study-abroad students	2-167
<i>Graphic, DL Entrance Counseling—Required Elements</i>	2-168
<i>Graphic, DL Exit Counseling—Required Elements</i>	2-169
Providing additional information	2-170
Financial literacy and at-risk students.....	2-170
Private Education Loans.....	2-170
Disclosures required for private education loans	2-171
Self-certification form for private education loans	2-171
Schools as private lenders.....	2-172
Preferred lender lists.....	2-172
Preferred lender disclosures	2-173
Use of institution and lender name	2-173
Misrepresentation	2-174
<i>Graphic, Misrepresentation Regulations</i>	2-175
Reporting on Foreign Sources & Gifts.....	2-176
Who must report	2-176
Timing and content of submission	2-176
Information to be reported.....	2-176
Alternative reporting	2-177
Anti-Lobbying Provisions	2-178
Prohibition on use of FSA funds.....	2-178
Campus-Based disclosure.....	2-178
Voter Registration	2-179

Exclusions for Foreign Schools	2-179
Chapter 7—Record Keeping, Privacy, & Electronic Processes.....	2-181
Required Records	2-181
Records related to school eligibility.....	2-181
Records relating to student eligibility.....	2-182
Fiscal records.....	2-182
Loan program records	2-183
Record Retention Periods.....	2-184
<i>Graphic, Summary of Record Retention Requirements.....</i>	<i>2-185</i>
<i>Graphic, Minimum Record Retention Periods</i>	<i>2-186</i>
Record Maintenance	2-187
Acceptable formats.....	2-187
Special requirements for SARs and ISIRs.....	2-187
Examination of Records	2-188
Location	2-188
Cooperation with agency representatives.....	2-188
Privacy of Student Information Under FERPA	2-189
Students’ and parents’ rights to review educational records under FERPA	2-190
Prior written consent to disclose the student’s records	2-190
Disclosures to school officials	2-191
Disclosures to government agencies.....	2-192
Disclosures in response to subpoenas or court orders.....	2-192
Documenting the disclosure of information.....	2-193
<i>Graphic, FERPA Responsibilities and Student Rights</i>	<i>2-194</i>
<i>Graphic, HIPAA (Privacy of Health Records) and FERPA.....</i>	<i>2-194</i>
Higher Education Act Data Use Limitations	2-195
<i>Graphic, Guidance on the Use of Financial Aid Information for Program Evaluation and Research.....</i>	<i>2-195</i>
The E-Sign Act and Information Security.....	2-196
Obtaining voluntary consent for electronic transactions.....	2-196
Safeguarding confidential information in electronic processes	2-197
Establishing and maintaining an information security program.....	2-197
Protecting student information	2-198
<i>Graphic, Reporting Security Breaches to Students and the Department</i>	<i>2-199</i>
Preventing Copyright Violations.....	2-200
<i>Graphic, FTC Standards for Safeguarding Customer Information.....</i>	<i>2-201</i>
Chapter 8—Program Reviews, Sanctions, & Closeout	2-203
Program Reviews by the Department	2-203
Scope of the review	2-204
Location of the review	2-204
Notification of the review.....	2-204
<i>Graphic, School Participation Division</i>	<i>2-205</i>
Department obligations	2-206
Entrance and exit/status conference.....	2-206
Written report.....	2-207

Final Program Review Determination (FPRD).....2-207

Graphic, Accrediting Agency Role 2-208

Corrective Actions and Sanctions 2-209

 Sanctions2-209

 Criminal penalties.....2-209

Graphic, Corrective Actions and Sanctions 2-210

Closeout Procedures (When FSA Participation Ends) 2-211

 Involuntary withdrawal from FSA participation2-211

 Closeout procedures2-212

 Unpaid commitments and loss of program eligibility2-212

 Teach-out plan.....2-213

 Closure of a branch or location2-213

 Loss of eligibility or withdrawal from the Direct Loan Program2-213

Graphic, End of FSA Participation2-214

