
Applying for Participation in the FSA Programs

In this chapter, we will discuss how and when a school applies for approval to participate in the Federal Student Aid (FSA) program.

APPLYING TO PARTICIPATE

To participate in any of the FSA programs—the Federal Pell Grant Program, the Federal Direct Loan Program, the Federal Family Education Loan (FFEL) Program, and the campus-based programs (Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan)—a school must be certified by the Department.

To apply for institutional participation, a school must submit an *Application for Approval to Participate in Federal Student Financial Aid Programs* (Application/E-App) to the Department. In evaluating the school and deciding whether to approve or deny the request to participate in any FSA program, the Department examines the Application and accompanying submissions. In addition, for schools that are participating or have participated in the FSA programs, the Department will examine a school's audits and program reviews. The Department also will check to see if a school has submitted all the required financial statements and compliance audits. The Department may request additional materials (such as school catalogs or copies of contracts with third-party servicers) and ask additional questions.

The Application contains information that allows the Department to examine three major factors about the school: institutional eligibility, administrative capability, and financial responsibility. These subjects are discussed in detail in chapters 1, 3, 4, 10 and 11. In addition, an institution can use the Application to apply for participation in either or both the FFEL and Direct Loan programs.

This chapter covers

- when a school should submit an Application,
- the steps a school must follow when submitting an Application,
- how to submit changes to an Application,
- the Quality Assurance Program, and
- the Experimental Sites Initiative.

Electronic application

Applications for

- initial certification,
- solely designation as an eligible institution,
- recertification,
- reinstatement,
- change in ownership,
- reporting changes to previous applications, or
- expanding eligibility and certification

must be submitted to the Department electronically through the Internet (see chapter 2). A signature page is required and must be mailed separately along with all required supporting documentation. The Department has made the E-App available on the Department's Web site. The address is

<http://www.eligcert.ed.gov>

The date of submission for an E-App is the date a school uses the *Submit Application* page to electronically submit the E-App or the date the signature page and supporting documents were postmarked or sent by a delivery service, whichever is later.

Foreign schools that cannot provide their applications electronically may request permission to send a paper application. For an Application that is mailed or delivered, the Department considers the date of submission to be the postmark date or a delivery service's or courier's written verification or printout of the shipping date.

If a school has questions, it is encouraged to contact its Case Management Team (see chart at the end of chapter 12).

How The Application Is Organized

This Application is divided into 13 sections, plus a glossary at the end.

<i>This Section . . .</i>	<i>is for . . .</i>
<i>A through D</i>	<i>General questions about the school.</i>
<i>E and F</i>	<i>Questions about educational programs and locations that the school wishes to be eligible for FSA programs.</i>
<i>G</i>	<i>Questions about telecommunications and/or correspondence (tele/corr) courses, students enrolled under ability-to-benefit provisions, and incarcerated students.</i>
<i>H</i>	<i>Schools that are initial applicants, schools with a change in ownership or structure, and schools seeking reinstatement.</i>
<i>I</i>	<i>Foreign institutions, including foreign graduate medical schools.</i>
<i>J</i>	<i>Questions about third-party servicers that perform any function relating to the school's FSA program</i>
<i>K</i>	<i>Questions about the school's administrative capability and financial responsibility.</i>
<i>L</i>	<i>The school's President/CEO/Chancellor to sign.</i>
<i>M</i>	<i>A checklist of copies of documents that must be included as applicable.¹</i>
<i>Glossary</i>	<i>Specific definitions of terms used in the application.</i>

¹These include the school's current letter of accreditation; valid state authorization; and, in some cases, audited financial statements, a default management plan and, for a school undergoing a change in ownership, an audited balance sheet showing the financial condition of the school at the time of the change in ownership.

Materially complete

An institution submits a materially complete application if it submits a fully completed electronic application form supported by

- a copy of the institution's state license or other equivalent document authorizing the institution to provide a program of postsecondary education in the state in which it is physically located,
- a copy of a document from its accrediting agency that grants it accreditation status, including approval of the nondegree programs it offers, and
- any other required supporting documentation.

WHEN TO COMPLETE AN APPLICATION

A school submits a materially complete application to the Department when it:

- wishes to be approved for the first time (initial certification) to participate in the FSA programs;
- wishes to be reapproved (*Recertification*) to participate in the FSA programs;
- wishes to be designated as an *eligible institution* so that its students may receive deferments under the FSA programs, its students may be eligible for the Hope and Lifetime Learning Tax Credit, or so that the school may apply to participate in federal HEA programs other than the FSA programs;
- wishes to be reinstated to participate in the FSA programs;
- undergoes a change in ownership, a conversion from a for-profit institution to a nonprofit institution or vice versa, or a merger of two or more institutions (referred to collectively as a *change in ownership, structure, or governance* for the remainder of the chapter) and wishes to participate in the FSA programs;
- must update information previously reported; or
- wishes to expand its FSA eligibility and certification.

Each of these circumstances is discussed in more detail in the next section of this chapter.

An eligible nonparticipating institution

Some schools choose to establish their eligibility for FSA programs but elect not to participate in them. Designation as an eligible institution qualifies a school or its students to apply to participate in non FSA programs, such as the HOPE and Lifetime Learning Tax Credit. In addition only students attending eligible institutions qualify for in-school deferments of payments on their federal education loans.

Since they are not administering federal student aid, nonparticipating eligible institutions are only required to renew their eligibility when the Department requests. Otherwise, their eligibility status continues indefinitely.

A school wishing to be designated an eligible nonparticipating institution may submit an Application to the Department at any time. The application must be materially complete.

Reapplication by nonparticipating eligible institutions cite

34 CFR 600.20(b)(1)

Following submission of an Application, the Department will contact the school if it has additional questions about the application. Generally, this will be within 90 days of the Department receiving an application.

If a school is not currently an eligible school under the HEA, it will not be considered eligible during the Department's review period.

A school seeking initial certification to participate in the FSA programs

- may submit an Application to the Department at any time;
- must submit a materially complete application to the Department.

Following submission of an Application, the Department will contact the school if it has additional questions about the Application. (A school that has never been certified, will not be considered certified during the review period.) Depending on the outcome of its review, the Department either will send the school two copies of the PPA to sign and return, or notify it that its application is not approved.

Note: In the case of a proprietary institution and a postsecondary vocational institution, there is an eligibility requirement that the school must have been legally authorized to provide and has provided the same or similar postsecondary instruction continuously for at least two consecutive years before it can participate in the FSA Programs. This is known as the *Two-Year Rule* (see chapter 1).

For schools subject to the two-year rule, during the school's initial period of participation in the FSA programs, the Department will not approve additional programs that would expand the scope of the institution's eligibility. An exception would be considered if the school demonstrates that the program for which it is seeking approval has been legally authorized and continuously provided for at least two years prior to the date of the request.

Application process for schools seeking initial eligibility and participation

1. A school seeking initial certification should enter the web site

<http://www.eligcert.ed.gov>

and click on the hot link marked, *initial applicants*. The hot link provides specific requirements that the school needs to review and follow to gain eligibility and certification.



2. If the school believes it meets all the requirements and wants to apply for approval, it must provide answers to certain basic questions from the Application. These questions are taken from the E-App and are numbered to correspond.
3. Once the school answers these questions, the school prints and faxes them to the Case Management Team (CMT) responsible for the school's home state. A current list of CMT phone numbers can be found on the Electronic Application Web site under *Introduction* and at the end of chapter 12.
4. The information provided will be entered into the Postsecondary Education Participant System (PEPS) database and will appear on the Web Application. This reduces the need to answer the question more than once.
5. CMT then provides the school with an OPEID number that gives the school access to the entire application on the Internet. The school reenters the Web site and completes the electronic application.

CMT recommends that a school keep a copy of its application and supporting documents and retain proof of the date it submitted the Application. The completed electronic version of the Application is sent to the Department. The school must submit *Section L* of the Application containing the original authorizing signature of the school's President/Chief Executive Officer (CEO)/Chancellor and the required supporting documents.

PRECERTIFICATION TRAINING REQUIREMENT

Fundamentals of Title IV Administration Training cite

34 CFR 668.13(a)(2) and (3)

In order to participate in any FSA program, a school must send two representatives (an administrative official and a financial aid representative) to a Fundamentals of Title IV Administration Training workshop offered by the Department. The Department also requires a school that has undergone a change in ownership, structure, or governance to attend the training.

Fundamentals of Title IV Administration training provide a general overview of the FSA programs and their administration. It does not cover fiscal and accounting procedures in detail.

- For all institutions, the regulations provide that the chief executive may elect to send for Title IV training another executive level officer of the institution in his or her place. Both the designated financial aid administrator and the

chief executive of the institution, or designee, must attend the certification training up to one year prior to but no later than twelve months after the institution executes its program participation agreement.

- The attending financial aid representative must be the person designated by the school to be responsible for administering the FSA programs. The financial aid representative must attend all four and one-half days of the workshop.
- If the school uses a consultant to administer its financial aid, the consultant must attend the training as the school's financial aid representative. Because the school ultimately is responsible for proper FSA program administration, the Department strongly recommends that a financial aid employee from the school attend the training as well.

The institution may request a waiver of the training requirement for the financial aid administrator and/or the chief administrator from its case management team. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

REINSTATEMENT

A school that voluntarily left the FSA programs

- may seek to be reinstated at any time, and
- must submit a materially complete application to the Department.

Following submission of an Application, the Department will contact the school if it has additional questions about the application. Generally, this will be within 90 days of the Department receiving an application.

If a school once participated in the FSA programs but no longer does so, it will not be considered certified during the Department's review period.

After completing its review, if a school's application has been approved, the Department will send an electronic notice to the president and financial aid officer notifying them that the school's PPA is available to print, review, sign, and return. If the school's Application has not been approved, we will notify the school and explain why.

Clarification

A school that was terminated from the FSA programs or that left because it was about to be terminated or otherwise sanctioned

- generally must wait 18 months before applying for reinstatement;
- must submit a materially complete application to the Department; and
- under the cohort default rate rules, generally loses the ability to participate for the remainder of the current fiscal year and the two following fiscal years.

If a school once participated in the FSA programs but no longer does so, it will not be considered certified during the Department's review period.

Following submission of an Application, the Department will contact the school if it has additional questions about the application. Generally, this will be within 90 days of the Department receiving an application.

PPA and ECAR

Review of an Application to Participate results in one of three outcomes: (1) full certification, (2) provisional certification, or (3) denial. **If approved, initial applications, applications submitted as a result of a change in ownership, and applications requesting reinstatement, are always approved provisionally.**

Clarification

If the Department approves a school's application, the Department will send an electronic notice to the president and financial aid officer notifying them that the school's PPA is available to print, review, sign, and return. The PPA includes the date that the school's eligibility to participate expires. The school must sign and return both two copies of the PPA to the Department. The Department then sends the school an Eligibility and Certification Approval Report (ECAR) and the school's copy of the PPA, signed and dated on behalf of the Secretary. The ECAR contains the most critical data elements that form the basis of the school's approval and lists the highest level of programs offered, any nondegree programs or short-term programs, and any additional locations that have been approved for the FSA programs. Both the PPA and ECAR must be kept available for review by auditors and Department officials, including individuals conducting FSA program reviews.

Effective date for participation

The date the PPA is signed on behalf of the Secretary is the date the school may begin FSA program participation. (Currently, there are additional steps that must be taken for participation in the Direct Loan Program. A school may make Pell Grant disbursements to students for the payment period during which the PPA is signed. Schools receiving initial certification can participate in the campus-based programs in the next award year that funds become available. FFEL and Direct Loan program disbursements may begin in the loan period that the PPA is signed on behalf of the Secretary. The Department's Program Systems Service and regional offices are notified, as well as state guaranty agencies, that the school is approved to participate in the FSA programs.

Provisional certification

In certain cases, rather than granting full approval to participate, the Department may grant a school *conditional approval* to participate in the FSA programs (for up to three complete award years). Referred to as *provisional certification* in the law, this level of approval is granted at the Department's discretion.

The Department will, if it approves the school, offer provisional certification to a school that allowed its PPA to expire and reapplied to participate in the FSA programs after its approval to participate ended. If the Department grants a provisional certification, the PPA details the provisions of that certification.

Note: If a school applying for recertification meets the submission deadlines detailed in the introduction to the Application, its PPA automatically remains in effect until the Department either approves or does not approve the application.

Provisional certification is always used when –

- a school is applying to participate for the first time (if approved, it will be provisionally certified for no more than one complete award year), and
- a participating school is reapplying because it has undergone a change in ownership, structure, or governance. If approved, it will be provisionally certified for no more than three complete award years.

Important: For schools subject to the two-year rule, during the school's initial period of participation in the FSA programs, the Department will not approve additional programs that would expand the scope of the institution's eligibility.

Provisional certification may also be used when –

- a participating school whose participation has been limited or suspended (or that voluntarily agrees to this provisional status) is judged by the Department to be in an administrative or financial condition that might jeopardize its ability to perform its responsibilities under its PPA;
- a participating school's accrediting agency loses its Departmental approval while it seeks approval from another accrediting agency (it may be provisionally certified for no more than 18 months after the agency's loss of approval);
- it is determined that a school is not financially responsible but the school has met other requirements and has accepted provisional certification; or
- in some cases, a school that is reapplying for certification has a high default rate.

Revoking provisional certification

If the Department determines that a school with provisional certification cannot meet its responsibilities under its PPA, the Department may revoke the school's participation in the FSA programs. The Department will notify the school of such a determination in a notice that states the basis and consequences of the determination. The notice is sent by certified mail (or other expeditious means). The revocation takes effect on the date the Secretary mails the notice to the school.

The school may request a redetermination of the revocation by submitting, within 20 days of receiving the notice, written evidence (filed by hand delivery, mail, or fax) that the finding is unwarranted. A Department official will review the request and notify the school by certified mail of his or her decision. If the Department official determines that the revocation is warranted, the school may not apply for reinstatement for 18 months after the revocation or after the expiration of any debarment/suspension action, whichever is later.

THE PROGRAM PARTICIPATION AGREEMENT

If the Department determines that a school has met the eligibility requirements (discussed in chapter 1, 3, & 4), the Department then assesses the school's financial responsibility and administrative capability. These evaluations are used to determine whether the school may be certified for participation in the FSA programs. For more information on administrative capability and financial responsibility, see chapters 10 and 11 respectively.

Program Participation Agreement cites

Sec. 487, 34 CFR 668.14

Once the Department certifies a school to participate in the FSA programs, the school is bound by the requirements of those programs. To begin its participation, a school must enter into a Program Participation Agreement.

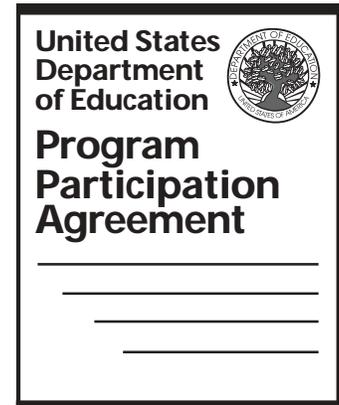
An eligible school must enter into a Program Participation Agreement (PPA) with the Department to participate in the following programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Perkins Loan (Perkins), Federal Direct Loan Program (DL) and Federal Family Education Loan (FFEL).

Purpose and scope of the PPA

Under the PPA, the school agrees to comply with the laws, regulations, and policies governing the FSA programs. After being certified for FSA program participation, the school must administer FSA program funds in a prudent and responsible manner. A PPA contains critical information about a school's participation in the FSA programs. In addition to the effective date of a school's approval, the date by which the institution must reapply for participation, and the date on which the approval expires, the PPA lists the FSA programs in which the institution is eligible to participate.

After enumerating the FSA programs in which an institution is authorized to participate, a PPA states the General Terms and Conditions for institutional participation. By signing the PPA a school agrees to

1. comply with the program statutes, regulations, and policies governing the FSA programs;
2. establish a drug abuse prevention policy accessible to any officer, employee, or student at the institution;
3. comply with
 - a. the Campus Security Policy and Crime Statistics disclosure requirements of the HEA;
 - b. Title VI of the Civil Rights Act of 1964, as amended, barring discrimination on the basis of race, color, or national origin;
 - c. Title IX of the Education Amendments of 1972, barring discrimination on the basis of sex;
 - d. Section 504 of the Rehabilitation Act of 1973, barring discrimination on the basis of physical handicap; and
 - e. The Age Discrimination Act of 1975;



4. acknowledge that the Department, states, and accrediting agencies share responsibility for maintaining the integrity of the FSA programs and that these organizations may share information about the institution without limitation; and
5. acknowledge that the institution must, prior to any other legal action, submit any dispute involving the final denial, withdrawal, or termination of accreditation to final arbitration.

PPA Requirements

In addition to the general statement that an institution will comply with the program statutes, regulations, and policies governing the FSA programs, a PPA contains references to selected important provisions of the General Provisions Regulations (34 CFR Part 668). Some of the specific requirements in 34 CFR 668 enumerated in a PPA are discussed below. Others are discussed elsewhere in this Handbook. The PPA specifies that –

1. The institution will use funds received under any FSA program as well as any interest and other earnings thereon solely for the purposes specified for that program.
2. If the institution is permitted to request FSA program funds under an advance payment method, the institution will time its requests for funds to meet only the institution's immediate FSA program needs (see *Volume 4 – Processing and Managing FSA Funds*).
3. **Schools cannot charge for processing or handling any application or data used to determine a student's FSA eligibility.** For instance, the school may not charge (or include in the student's cost of attendance) a fee to certify a loan application, complete a deferment form, process a Pell Grant payment, verify an application, or send or request a financial aid transcript.

A student uses the Free Application for Federal Student Aid (FAFSA) to apply for FSA program funds. However, a school may require additional data that are not provided on the federal form to award institutional or state aid. Institutional charges for collecting such data must be reasonable and within marginal costs.

4. The institution will comply with the provisions of 34 CFR 668 relating to factors of **financial responsibility and administrative capability** (see chapters 10 and 11).
5. The school will **provide timely information** on its administrative capability and financial responsibility to the Department and to the appropriate state, guaranty, and accrediting agencies (see chapters 10 and 11).

6. The school must, in a **timely manner**, complete reports, surveys, and any other data collection effort of the Department including surveys under the Integrated Postsecondary Education Data System (IPEDS).
7. The institution will not provide any statement to a student or certification to a lender that qualifies the student for a loan or loans in excess of the annual or aggregate loan limits applicable to that student according to the appropriate regulations.
8. The institution will provide information concerning **institutional and financial assistance information** as required to students and prospective students (see chapter 6).
9. If the school advertises **job placement rates** to attract students, it must provide a prospective student with any relevant information on state licensing requirements for the jobs for which the offered training will prepare the student. Also, the school must provide a statement disclosing the most recent available data concerning employment statistics, graduation statistics, and other information to substantiate the truthfulness of the advertisements.
10. If the institution participates in the FFEL program, the institution will provide borrowers with information about **state grant assistance** from the state in which the institution is located, and will inform borrowers from other states of the sources of information about state grant assistance from those states.
11. If the institution provides financial assistance to students under the **ability to benefit** provisions, the institution will make available to those students a program proven successful in assisting students in obtaining the recognized equivalent of a high school diploma (For additional information, see the section *GED preparatory program required* later in this chapter.).
12. The school cannot deny FSA funds on the grounds that a student is **studying abroad** if the student is studying in an approved-for-credit program (see chapters 1 and 7).
13. To begin participation in the FFEL programs (or if a school **changes ownership** or changes its status as a parent or subordinate institution), the school must develop a **default management plan** for approval by the Department and must implement the plan for at least two years.

A school is exempt from submitting a default management plan if (a) the parent institution and the subordinate institution both have a cohort default rate of 10% or less and (b) the new owner of the parent or subordinate institution does not own, and has not owned, any other school with a cohort default rate over 10%.

14. The school must **acknowledge the authority of the Department** and other entities to share information regarding fraud, abuse, or the school's eligibility for participation in the FSA programs (see chapter 12).
15. The school **may not knowingly employ or contract** with any individual, agency, or organization that has been convicted of or pled guilty or nolo contendere to a crime or was judicially determined to have committed fraud involving the acquisition, use, or expenditure of federal, state, or local government funds or has been administratively or judicially determined to have committed fraud or any other material violation involving federal, state, or local government funds.
16. In the case of an institution that offers athletically related student aid, it will **disclose the completion and graduation rates of student athletes** and the athletic program participation and financial support pursuant to 34 CFR 668.47 and 34 CFR 668.48 in conformance with the Student Right-to-Know Act (see chapter 6).
17. The school **cannot penalize** in any way a student who is unable to pay institutional costs due to compliance with the FSA program requirements or due to a delay in a Title IV loan disbursement caused by the school.
18. The school cannot pay or contract with any entity that pays commissions or other incentives based directly or indirectly on securing enrollment or financial aid (except when recruiting foreign students ineligible for FSA program funds) to persons engaged in recruiting, enrolling, admitting, or financial aid administration (For additional information, see the section *Incentive Compensation* later in this chapter.).
19. The school must comply with the requirements of the Department as well as those of accrediting agencies (see chapter 1).
20. The school must comply with the requirements for the **return of Title IV funds** when a student withdraws (see *Volume 5 – Overawards, Overpayments, and Withdrawal Calculations*).
21. The **institution is liable** for all improperly administered funds received or returned under the FSA programs including any funds administered by a third-party servicer.
22. A school must furnish information to the holders of Stafford or PLUS loans that were made at that school, as needed to carry out program requirements.

23. A school must not certify or originate an FFEL or Direct Loan for an amount that exceeds the annual or aggregate loan limits.
24. If the stated objectives of an educational program offered by the institution are preparing students for **gainful employment in a recognized occupation the institution** will
 - a. demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation, and
 - b. establish the need for the training for the student to obtain employment in the recognized occupation for which the program prepares the student.
25. Either the institution or the Department may terminate a PPA.

An institution's PPA no longer covers a location of the institution as of the date that location ceases to be part of the participating institution.

