
Administrative Capability

To participate in the FSA programs, a school must demonstrate that it is administratively capable of providing the education it promises and of properly managing the FSA programs. This chapter discusses the requirements a school must meet to demonstrate its administrative capability.

REQUIRED ELECTRONIC PROCESSES

The regulations require that a school be able to use the FSA electronic processes in order to be considered administratively capable of participating in the FSA programs. Your school may use software provided by the Department, such as *EDConnect* or *EDExpress*, or develop its own software, or rely on a third-party software vendor.

From time to time ED modifies the minimum system requirements schools must meet in order to participate in the Department's electronic processes. The Technical Specifications Table in the next section lists the minimum configurations required beginning in the 2005-2006 award year. When reviewing these specifications, a school should be aware that its system requirements (processor speed, RAM, hard-drive storage, etc.) will depend on which FSA functions the school uses, the number of records processed, and school database interfaces.

In order for a school to exchange data with the FSA Systems, it must have Internet access through its network or through an Internet Service Provider. If you use a third-party servicer to manage your student aid activities, you should ensure that the servicer apprises you of all new requirements posted on IFAP.

Summary of Required Processes

To be in compliance the administrative capability requirements of 34 CFR 668.16(o), a school must –

1. participate in the Student Aid Internet Gateway (SAIG);
2. use the E-App to submit and update the school's eligibility information;

Administrative capability cite

34 CFR 668.16

Electronic processes cite

34 CFR 668.16 (o)

DCL GEN-04-08, September 2004

Federal Register, 09-14-2004,

55418-55420

The FSA Assessment modules

that can assist you in understanding and assessing in your compliance with the provisions of this chapter are "Administrative Capability," at

[http://ifap.ed.gov/qamodule/
InstitutionalEligibility/
AssessmentApage4.html](http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentApage4.html)

"Satisfactory Academic Progress," at

[http://ifap.ed.gov/qamodule/SAPModule/
SAPModulepage2.html](http://ifap.ed.gov/qamodule/SAPModule/SAPModulepage2.html)

and "Default Management," at

[http://ifap.ed.gov/qamodule/
DefaultManagement/
DefaultManagementpage21.html](http://ifap.ed.gov/qamodule/DefaultManagement/DefaultManagementpage21.html)

Questions

If you have questions about EDConnect or EDExpress, you may contact CPS/SAIG Technical Support at

(800) 330-5947

TDD (800) 511-5806

Or you can email them a question at

CPSSAIG@ed.gov.

The email address for NSLDS Customer Service is –

NSLDS@pearson.com

You can email all COD questions to

CODSupport@acs-inc.com

Optimal configurations

Although all of the designated electronic processes can be performed using the minimum configuration, we strongly recommend the optimal configuration, particularly in cases where a school sends or receives 4,000 or more records in an XML document (batch). This is because the new XML file formats used by EDExpress and COD (and in the future by CPS) are larger and require greater storage and computing power. For the same reason, we would encourage a school to consider moving away from “Dial-up” and instead use a high-speed Internet connection. Doing so will significantly reduce both transmission time and transmission interruptions.

3. use the FISAP Web site to file required reports for the Campus-Based programs (see Volume 6);
4. electronically receive Institutional Student Information Records (ISIRs) from the Central Processing System (CPS) using the SAIG;
5. use the SAIG or FAA Access to submit a Free Application for Federal Student Aid (FAFSA) to the CPS on behalf of an applicant, or to submit corrections or updates to FAFSA data, (e.g. adding the school’s federal school code to a student record);
6. submit to the National Student Loan Data System (NSLDS) the school’s Federal Perkins Loan data, student enrollment records, FSA program overpayments, and NSLDS Transfer Student Monitoring records;
7. use the Information for Financial Aid Professionals (IFAP) Web site to review Dear Colleague Letters, announcements, or Federal Registers;
8. electronically submit the school’s annual compliance and financial statement audits, and any other required audits; and
9. use the Default Management Web site to receive its draft and official cohort default rate data electronically.

Beginning with the 2005-2006 award year, schools must use the SAIG and the Extensible Markup Language (XML) common record that complies with the published schema for the corresponding award year to send and receive origination and disbursement data for the Federal Pell Grant Program and the Federal Direct Loan Program.

Information for Financial Aid Professionals (IFAP)

Program information such as Dear Colleague/Partner letters, announcements, and Federal Registers, previously mailed to participating institutions, is now communicated, for the most part, through our IFAP Web site. One of the features of this Web site is its notification service, which makes it possible for you sign up to receive an e-mail summarizing recent postings to IFAP. (Go to “Member Services” on IFAP.)

The IFAP Web site is located at

<http://ifap.ed.gov/>

Once you’ve registered and obtained a password, you can register for the notification service under *Subscription Options*.

SYSTEM CONFIGURATIONS		
	Minimum Configuration	Optimal Configuration
IBM or Fully IBM compatible PC	1.2 GHz Processor	2.8 GHz/333 MHz Processor
	512 MB RAM	1 GB RAM
	60 GB Hard Drive	80 GB Hard Drive
	48x CD-ROM Drive (CD-RW recommended)	48x CD-ROM Drive (CD-RW recommended)
	Windows compatible keyboard and mouse	Windows compatible keyboard and mouse
Monitor and Video Card	Capable of Super Video Graphics Adapter (SVGA) resolution (800x600) or higher	Capable of Super Video Graphics Adapter (SVGA) resolution (800x600) or higher
Internet Connection	56 Kbps Modem (meets or is upgradable to V.90 standard)	High speed Internet connection (e.g., DSL, cable)
Printer	Laser printer capable of printing on standard paper (8.5" x 11")	Laser printer capable of printing on standard paper (8.5" x 11")
Operating System	Windows 2000 or Windows XP Professional recommended (FSA will support Windows 98/98SE/ ME only until June 30, 2006.)	Windows 2000 or Windows XP Professional recommended (FSA will support Windows 98/98SE/ ME only until June 30, 2006.)

ADMINISTRATIVE REQUIREMENTS FOR THE FINANCIAL AID OFFICE

Coordinating official

A participating school must designate a capable individual to administer the FSA programs and to coordinate aid from these programs with all other aid received by students attending the school. To properly package and most effectively use the various types of student assistance (federal, school, state, private, etc.), the coordinating official must be aware of all aid received by students attending the school, regardless of the source. When creating a student's financial aid package, in order to ensure that a student's aid does not exceed his or her need, an aid administrator must include aid the student is receiving from external sources as well as institutional aid and FSA program assistance. Therefore, **a school's operations must be administered in a way that ensures all the information the school receives that might affect a student's FSA eligibility is communicated to the coordinating official and to the financial aid office.**

Capable individual defined

An individual is "capable" if he or she is certified by the state in which the school is located, if state certification is required. Other factors affecting capability include the individual's successful completion of FSA program training provided or approved by the Department, and previous experience and documented success in FSA program administration.

Conflicting information does not include such things as –

1. a household size that differs from number of exemptions on a tax return;
2. dependency under IRS rules vs. ED definition of dependency;
3. a roster of candidates for an outside scholarship, as opposed to a list of recipients;
4. privacy protected information, such as information from professional counselors, chaplains, doctors, etc.;
5. assumptions made by the CPS;
6. a FAFSA filed using estimated income; and
7. a student who has an expired INS document, but secondary confirmation match is successful.

Important

Death of a student

If a student dies during the award year, the school isn't required to resolve conflicting information.

Clarification

Conflicting information may include information related to a student's eligibility such as –

- citizenship status,
- accuracy of SSN,
- default or overpayment status,
- changes in student's academic status (including grade level progression),
- COA elements,
- other student financial assistance or resources, and
- inconsistent information used in calculating the student's EFC.

Consistency of information

A school must have a system of identifying and resolving discrepancies in all FSA-related information received by any school office. **A school must resolve discrepancies for all students, not just those selected for verification.**

Resolution includes —

- ◆ determining what information is correct, and
- ◆ documenting the school's findings in the student's file.

Such a system must include a review of —

1. all student aid applications, need analysis documents, MRRs, POPs from COD, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;

Even if a school has previously verified the information on a student's SAR/ISIR, the school must review all information on subsequent SARs/ISIRs, and resolve discrepancies.

2. any documents, including any copies of state and federal income tax returns, that are normally collected by the school to verify information received from the student or other sources; and
3. any other information submitted or normally available to the school regarding a student's citizenship, previous educational experience, documentation of the student's social security number or other factors relating to the student's eligibility for funds under FSA programs.

For instance, if a student receives veterans benefits through one school office, that office must notify the aid administrator of these benefits to ensure that the amounts are correctly reported on the student's aid application and are counted as a resource for the Campus-Based programs and estimated financial assistance for the Direct Loan and FFEL programs. Other examples include –

- a school's admissions or registrar's office must provide the aid office with any information it has that might affect a student's eligibility such as the student's enrollment in an ineligible program, or enrollment in summer classes immediately preceding a fall term of enrollment; and
- a school's business office must inform the aid office whenever it receives information about a student receiving an outside scholarship.

There is a distinction between how long you need to be alert for conflicting information and how long you have to actually resolve a conflict. Even if the processing year has ended, you must continue to resolve conflicting information unless —

1. all aid for period of enrollment has been disbursed, and
2. at the time of disbursement, there was no conflicting information, and
3. student is no longer enrolled at the school (and is not intending to reenroll).

You may not ignore a document in your files unless a student is no longer enrolled. If you have conflicting information in your files, you must resolve it as expeditiously as possible.

If you become aware of conflicting information for a student who is no longer enrolled, and there is aid to be disbursed, you must resolve the conflict before making the late or postwithdrawal disbursement.

If aid (that school was unaware of) is received after the end of a period of enrollment for a student who is intending to reenroll, assuming the student reenrolls in the next award year, that aid must be treated as resource/EFA for the subsequent period of enrollment.

Remember, if any office at your school has information that might affect a student's eligibility for FSA funds, it must provide that information to the school's designated coordinating official. That individual in turn must forward it to the financial aid office where procedures must be in place to ensure that any conflicting information is resolved and documented before the student receives any (or any additional) FSA funds.

Sources of conflicting information include —

- unsolicited tax returns or schedules,
- information provided by the student to the financial aid office,
- supplemental financial aid applications,
- other offices within the school,
- offices at other educational institutions (not just aid offices),
- ED,
- scholarships and information from outside sources,
- state agencies such as Voc. Rehab., WIA, State Scholarship Agencies, etc.,
- tips from outside sources,
- transcripts from other postsecondary institutions,
- SARs or ISIRs,
- verification,
- C Flags,
- Reject Codes, and
- Comment Codes.

Discrepant tax data

Because conflicting data often involve tax information, FAAs must have a fundamental understanding of tax issues that can affect need analysis. You should know —

1. whether an individual is required to file a tax return;
2. an individual's correct filing status; and
3. only one person can claim another as an exemption.

Publication 17 of the IRS, *Your Federal Income Tax*, is a useful resource for the aid office.

You can view it on the Web at

www.irs.gov

or you can call the IRS at

800-829-3676

to order a copy.

For additional information on resolving tax issues, please see Volume 1 – Student Eligibility.

Schools must sign up to receive Roster Files through

<https://www.fsawebenroll.ed.gov/PMEenroll/index.jsp>

Enrollment Reporting Requirements

34 CFR 682.610 FFEL

34 CFR 685.309(b) Direct Loans

"Dear Colleague" letter GEN-96-5

"Dear Colleague" letter GEN-96-17

Enrollment Reporting/SSCR Technical References

For more information on reporting enrollment information to NSLDS, including record layouts, error codes, etc., see the **Enrollment Reporting Guide** (formerly the SSCR User's Guide), which is available online on the ifap.ed.gov site (listed alphabetically under "Current Publications by Title").

If you will be using the SSCR software package for Enrollment Reporting, see the **SSCR Technical Reference**, which includes record layouts, error codes, etc. and is available in Word and PDF formats at: www.fsadownload.ed.gov

Updating enrollment information on the Web

You can create or update student enrollment status by using the "Enroll" tab on the NSLDS Web site for aid professionals:

<https://www.nslidsfap.ed.gov/>

Support: **1-800-999-8219**

Enrollment Status Codes

These codes are listed in the Record Layouts in the SSCR Technical Reference. Data submitted to the Student Loan Clearinghouse uses most of these codes.

A = Approved Leave of Absence

D = Deceased

F = Full time

G = Graduated

H = Half time or more, but less than full time

L = Less than half time

W = Withdrawn (voluntary or involuntary)

X = Never attended

Z = Record not found

Exchanging information on borrowers

All schools participating (or approved to participate) in the FSA programs **must** have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through a Roster file (formerly called the Student Status Confirmation Report or SSCR). Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

At scheduled times during the year, not less than semiannually, NSLDS sends Roster files electronically to your school (or its designated servicer) through its SAIG mailbox. The file includes all of the school's students who are identified in NSLDS as Stafford (Direct and FFEL) borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at your school—you also must report information for students who received some or all of their FSA loans at other schools but are currently attending your school.

Your school (or servicer) must certify the information and return the Roster file within 30 days of receiving it. You may also go to www.nslidsfap.ed.gov and update information for your students online. You're required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half time, graduated or withdrawn must be reported within 30 days. However, if a Roster file is expected within 60 days, you may provide the data on that roster file.

If the Roster file that you are returning contains records that don't pass the NSLDS Enrollment Reporting edits, you will receive a response file with the records that didn't pass. Within 10 days, you'll need to make the necessary corrections to these records and resubmit them. If you are using a servicer, you may need to assist the servicer in correcting these errors. Please remember that your school is ultimately responsible for notifying NSLDS of student enrollment changes.

If your school reports enrollment data to the NSLDS, it does not have to complete SSCRs received directly from guaranty agencies. (Receiving an SSCR report from a guaranty agency may be an indication that your school has not reported to NSLDS within the last six months.) However, you must still respond to requests for borrower information from guaranty agencies, lenders, and loan servicers. You must continue to provide loan holders and loan servicers with a borrower's enrollment status and other information needed to locate the borrower for deferment and other repayment purposes.

Providing borrower information at separation

Within 60 days after the exit counseling session, your school must provide the Direct Loan Servicing Center or the guaranty agency that was listed in the borrower's student aid records any updated information about: the borrower's name; address; references; future permanent address; Social Security Number; the identity and address of the borrower's expected employer, the address of the borrower's next of kin, and the borrower's driver's license number and state of issuance.

Information about delinquency and default

To promote loan repayment, DL schools are encouraged to notify the Direct Loan Servicing Center if they receive new information about a delinquent borrower's location or employment. The Direct Loan Servicing Center sends participating schools a monthly electronic report of all delinquent and defaulted Direct Loan borrowers who took out loans while attending the school. The report, which contains the borrowers' names, addresses, and phone numbers, is organized by the number of days past due so that schools can contact and counsel borrowers to avoid default. The school may also wish to work with borrowers who have defaulted on their Direct Loans to help these borrowers bring their loans out of default.

An FFEL school may make agreements to provide the holders of delinquent loans with information about the delinquent borrower's location or employment. An FFEL school may also try to contact the borrower and counsel him or her to avoid default.

FFEL schools may ask a guaranty agency to provide information about students who were enrolled at the school who have defaulted on their Stafford loans. The guarantor may not charge for this information. The school may also ask the guarantor to notify the school whenever a lender requests default aversion assistance on a loan made at your school, and provide the borrower's name, address, and social security number. (The guaranty agency may charge a reasonable fee for this service.) Your school may only use the information to remind the borrower to repay his or her loan(s).

If you've requested it, the guaranty agency must also notify your school when loans to its students are sold, transferred, or assigned to another holder. (The notification must include the address and telephone number of the new loan holder.) This notification requirement only applies to loans that are in the grace period or in repayment, and only if your school was the last school the borrower attended before the loan entered repayment. (For instance, if a student received several Stafford loans while earning a bachelor's degree at your school, but pursued a master's degree at another school before those loans entered repayment, the guarantor is not required to notify you if the loan is sold.)

Privacy: Sharing Student Records with Lenders

A student authorizes his or her school to release information to lenders by signing the promissory note as part of the loan application process. This authorization covers information relevant to the student's or parent's eligibility to borrow as well as locating the borrower. Examples of such information are enrollment status, financial assistance, and employment records.

Loan information from the guarantor

Upon request, the guarantor must inform the school of students in default on FFELs.
34 CFR 682.401(b)(24)

If the lender requests preclaims assistance, the guarantor must inform the school of this request, if the school has requested such notification.

34 CFR 682.404(a)(4)

Sec. 428(c)(2)(H) of the HEA

The guarantor must notify the school when a loan made at that school changes hands, if the school requests such information.

Sec. 428(b)(2)(F) of the HEA

34 CFR 682.401(b)(25)

Counseling

Schools must provide adequate financial aid counseling to all enrolled and prospective students and their families. In addition, schools must also provide entrance and exit counseling for student borrowers in the Perkins, FFEL, and Direct Loan programs. For a complete discussion of loan counseling requirements, see chapter 6 in this volume, and Volume 6 – Campus-Based Programs and the Direct Loan entrance and exit counseling guides.

Adequate staffing

To manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. An *adequate* staff depends on the number of students aided, the number and types of programs in which the school participates, the number of applicants evaluated and processed, the amount of funds administered, and the type of financial aid delivery system the school uses. What may be adequate at one school may be completely insufficient at another. The Department will determine, on a case-by-case basis, whether a school has an adequate number of qualified persons, based on program reviews, audits, and information provided on the school's application for approval to participate in the FSA programs.

System of checks and balances

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal checks and balances. This system, at a minimum, must separate the functions of authorizing payment and disbursing or delivering funds so that no one person or office exercises both functions for any student receiving FSA funds. Small schools are not exempt from this requirement even though they may have limited staff. Individuals working in either authorization or disbursement may perform other functions as well, but not both authorization and disbursement. These two functions must be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affect both authorization and disbursement.

While electronic processes enhance accuracy and efficiency, they also can blur separation of functions so the awarding and disbursement occur virtually simultaneously. Schools must set up controls that prevent an individual or an office from having the authority (or the ability) to perform both functions. In addition, your

Family defined

A member of an individual's family is a parent, sibling, spouse, child, spouse's parent or sibling's, or child's spouse.

Definition of control cite

34 CFR 600.31(b)

Ownership interest cite

34 CFR 668.15(f)

For further guidance on the separation of functions, contact the appropriate School Participation Team found at the end of chapter 12.

system also should have controls that prevent cross-functional tampering. For example, financial aid office employees should not be able to change data elements that are entered by the registrar's office. Finally, your system only should allow individuals with special security classifications to make changes to the programs that determine student need and awards, and it should be able to identify the individuals who make such changes.

OIG Referrals

Department regulations (34 CFR 668.16(g)) require a school to refer to the Department's Office of Inspector General (OIG) any credible information indicating that an applicant for Federal Student aid may have engaged in fraud or other criminal misconduct in connection with his or her application.

Remember that fraud is the intent to deceive as opposed to a mistake. If you suspect such intent on the part of a student, report it to the OIG by phoning –

1-800-MISUSED

It is always appropriate for a financial aid administrator to consult with a school's legal counsel prior to referring suspected cases of fraud or misconduct to an agency outside of the school. Additional information on IG referrals is available in *Volume 1 — Student Eligibility*.

Commonly falsified items include

false claims of independent student status, false claims of citizenship, use of false identities, forgery of signatures of certifications, and false statements of income.

Schools must also refer to the OIG any third-party servicer who may have engaged in fraud, breach of fiduciary responsibility, or other illegal conduct involving the FSA Programs.

For a discussion of applying SAP standards to individual students, please see Volume 1 – Student Eligibility.

SATISFACTORY ACADEMIC PROGRESS

Two requirements for institutional eligibility are directly related to student eligibility — satisfactory academic progress and financial aid history. An eligible school must have a policy and a procedure for measuring the academic progress of its students. A school must have a satisfactory academic progress (SAP) policy that:

1. for an FSA recipient, is the same as or more strict than the institution's standards for a student enrolled in the same educational program who is not receiving assistance under an FSA program; and
2. includes the following elements –
 - a **qualitative component** consisting of grades that are measurable against a norm;

A school must include in its written policies information about the following if it allows for —

- a. course repetitions where only the most recent grade is counted; or
- b. course repetitions where both credits and grades from previous attempts are deleted; or
- c. course repetitions where only the highest grade is counted.

A school can exclude grades for prior attempts (*repeat/delete*) when calculating a student's GPA, but it must include the credits from all attempts when calculating the maximum time frame (150%).

SAP cites

34 CFR 668.16(e), 34 CFR 668.32(f),
34 CFR 668.34

Academic amnesty/renewal

Some schools have Academic Amnesty/Renewal procedures through which a student can apply to have credits attempted and grades earned in previous semesters excluded from the calculation of the student's grade-point average. The FSA program regulations make no provision for the concept of academic amnesty or academic renewal. Therefore, a school must always include courses applicable to a student's major (whenever taken) in evaluating a student's satisfactory academic progress (SAP).

Graduated Qualitative Standard Examples

Guerrero University requires students to have a 2.0 GPA to graduate. A student who has completed 30 semester hours or less must have a 1.6 GPA, and a student who has completed 31 to 60 semester hours must have a 1.8 GPA. Students who have completed more than 60 semester hours must have a 2.0 GPA. In her first year at Guerrero University, Emma takes 28 semester hours, and her GPA is 1.9. Because her GPA is higher than 1.6, she meets this component of Guerrero's satisfactory progress standards.

Owen is also attending Guerrero, and has been attending part time. At the end of his second year at Guerrero, he's taken 24 semester hours, and his GPA is 1.7. Owen also satisfies a second part of Guerrero's satisfactory progress standards, because his GPA is higher than 1.6. Although Owen has less than a C average or equivalent at the end of his second academic year (Guerrero considers 2.0 to be the equivalent of a C average), he's still making satisfactory progress because he meets the standards required by Guerrero for a student with less than 31 semester hours. However, if his GPA doesn't improve by the time he completes those 31 hours, he'll no longer be making satisfactory progress.

- a **quantitative component** that consists of a maximum timeframe in which a student must complete his or her educational program; (For an undergraduate program, the timeframe must be no longer than 150% of the published length of the educational program.) A student who is maintaining a high GPA by withdrawing from every course he attempts after the first year could meet a qualitative standard but wouldn't be progressing towards graduation. Therefore, an SAP policy must also include a quantitative measure.
- **specific policies defining the effect of incomplete course grades, withdrawals, repetitions, and noncredit remedial courses** on satisfactory progress;

A school must define in its SAP policy the effect of both ESL courses (not part of an ESL program) and remedial courses on both the qualitative and maximum timeframe components.

A school may establish reasonable rules that address students who initially enroll in specific courses but modify that enrollment within a very limited timeframe. However, **a school may not have a policy that excludes courses in which a student has remained past the drop/add period and earned a grade of "W" (or its equivalent) from its calculation of a student's maximum timeframe.**

- rules for both undergraduate and graduate students who change majors, as well as for students who seek to earn additional degrees;

Generally the quantitative and qualitative standards used to judge academic progress include all periods of the student's enrollment. Even periods in which the student did not receive FSA funds must be counted. However, a school may have a policy that for a student who changes majors, it will not include in the calculation of a student's SAP standing the credits attempted and grades earned that do not count toward the student's new major. **This policy must be specified in writing in its policies and procedures.**

Similarly, a school must at least count those transfer credits that apply toward the current program (though it may count all credits from the previous school). A school cannot set a maximum timeframe based on hours attempted and then have a policy to routinely exclude certain hours attempted, such as hours taken during a summer session, from the SAP review. In determining this requirement, make sure to include summer enrollment.

Counting Repeated Courses in SAP

If a school has a written policy that allows only the highest or most recent grade to be counted or both credits and grades from previous attempts to be deleted, it may exclude a grade for a prior attempt when considering the qualitative SAP standard, but it must count the credits attempted when considering the quantitative SAP standard.

SAP may not exclude all "W" grades

A SAP policy that excludes all "W" grades from credits attempted is not a reasonable interpretation of a quantitative component established to measure a student's progress toward the completion of a program.

A student who receives a grade for course participation has attempted to complete the course, and, in this case, the assignment of a "W" grade indicates that the student has failed in that attempt.

"C" average required after 2 years

A student enrolled in an program of study of more than 2 academic years must, once the student has been enrolled for two academic years, have a "C" average or its equivalent, **or have an academic standing consistent with the institution's requirement for graduation.** If your school does not use letter grades, it must define the equivalent of a "C" average.

While a student must achieve the required standard by the end of the student's second year, the school must review progress in segments no longer than one institutional academic year.

See "Volume 1 - Student Eligibility" for more information on SAP.

Maximum timeframe for graduate programs

The 150% maximum time frame does not apply to graduate programs. However, an eligible school offering graduate programs must develop, disseminate, and consistently apply a policy defining the maximum timeframe graduate students have to complete their programs.

First Year Progress	
Credits required	21
1st semester	0
+ 2nd semester	15
= completed credits	15hrs.

Second Year Progress	
Credits required	42
previous completed credits	15
+ 2nd year credits	27
= completed credits	42hrs.

First Increment Progress	
Credits required	8
1st class credits	4
+ 2nd class credits	0
+ 3rd class credits	4
= completed credits	8 hrs.

Quantitative Standard Example

Students in Brandt College’s bachelor’s degree program are required to complete 120 credits. Brandt requires all students to enroll in 15 credits each semester. Most students complete the program in four years (eight semesters). Brandt sets a maximum timeframe of six years (150% of the published length of four years), and uses a year as an increment. Brandt requires students to successfully complete at least 21 credits by the end of the first year, and an additional 21 credits for each increment after that. Brandt reviews SAP once each year, and has a one-year SAP probationary period.

Lydia enrolls for her first year at Brandt, and fails all her courses in the first semester. Even if she successfully completes all her courses in the second semester, she won’t be making satisfactory progress at the end of the first increment, because she’ll have completed only 15 credits (15 as opposed to 21 of 30). If she continues into the second year and successfully completes all but one of her courses (27 credits total), she’ll meet the satisfactory progress standards by the end of the second increment (42 credits successfully completed).

Sarven Technical Institute has a 24 semester hour program that a full-time student can complete within one year. Because many students attend part time, Sarven decides to use a maximum timeframe based on the length of the program in semester hours attempted. Using the 150% maximum, Sarven’s policy states that a student must complete the program by the time he or she has attempted 36 semester hours. Sarven uses increments of 12 semester hours. In order to successfully complete 24 semester hours within the maximum timeframe, the student must successfully complete 8 semester hours by the end of each increment.

Allen enrolls in this program. He enrolls in one class at a time, and each class is worth 4 semester hours. After he has enrolled in 3 classes (12 semester hours), Sarven must check to see if he’s successfully completed enough work in that increment to be making satisfactory progress. Allen completes the first and third course, but fails the second. Because he completed 8 semester hours (2 courses) in this increment, he’s making satisfactory progress.

Quantitative Standard Percentage Example

A school that offers a 4-year program could allow students a maximum time frame of 6 years to complete the program. Frisson College decides to allow students a maximum timeframe of 5 years for its 4-year microbiology program. Frisson uses the semester as the increment for measuring satisfactory progress. In order to allow students to complete the program within the maximum timeframe, Frisson requires students to complete 80% of the work attempted by the end of each increment ($4 \div 5 = .8$).

Two students, Andrew and Malia, are enrolled in this microbiology program. In the first year, both students enroll in 15 credits per semester. At the end of the first semester, Andrew has earned 12 credits and Malia has earned 15 credits. At the end of the second semester, Andrew has earned a total of 21 credits and Malia has earned a total of 30 credits.

To be making satisfactory progress, Andrew and Malia must have completed 80% of the credits attempted by the end of the increment. For the first semester, they must complete 12 credits ($80\% \times 15$ credit hours attempted = 12 credit hours). Because both students successfully completed at least 12 credit hours in their first semester, they both were making satisfactory progress.

By the end of the second semester, they must have completed 24 credits ($80\% \times 30$ credit hours attempted = 24 credit hours). Malia is still making satisfactory progress at the end of the second semester, but because he only completed 21 credits, Andrew is not making satisfactory progress.

In the second year Malia again enrolls for 30 credits, but Andrew only enrolls for 15 credit hours for the year. Andrew successfully completes all these credit hours, so he has earned 36 credits of 45 attempted. Malia completes 51 credits by the end of the second year.

To be making satisfactory progress by the end of the second year, Andrew must have completed 36 credits ($80\% \times 45$ credit hours attempted = 36 credit hours). Therefore, he is once again making satisfactory progress at the end of the second year. After the end of the second year, Malia must have completed 48 credit hours ($80\% \times 60$ credit hours attempted = 48 credit hours). Malia was also making satisfactory progress at the end of the second year.

First Year Progress

Credits required	
completion standard	80%
x credits	30
= completed credits	24hrs.

Second Year Progress

FT student - Malia	
previous attempted credits	30
+ 2nd year credits	30
x completion standard	80%
= completed credits	48hrs.
HT student - Andrew	
previous attempted credits	30
+ 2nd year credits	15
x completion standard	80%
= completed credits	36hrs.

Completed program, no degree

A school's policy can state that a student who has completed all the coursework for her degree or certificate but hasn't yet received the degree or certificate can't receive further aid for that program. This restriction can't simply be a limit on the number of hours completed, for instance, that the student isn't eligible once she has completed 120 semester hours for a program that requires 120 semester hours. The student must have actually completed the academic requirements for the degree or certificate she is pursuing.

- **measurement in increments;** To ensure that a student makes sufficient progress throughout the course of study, your academic progress policy must divide the maximum timeframe into equal evaluation periods called increments. An increment can't be longer than half the program or one academic year, whichever is less. For example, for a 700-clock-hour program, an increment must not exceed 350 clock hours. For a 2,000-clock-hour program, an increment must not exceed 900 clock hours if the school defines the academic year as 900 clock hours. Increments generally coincide with payment periods.
- a schedule established by the school designating the **minimum amount of work** that a student must complete at the end of each increment;

This minimum must be sufficient to allow the student to complete the program within the maximum timeframe.

You don't have to set a fixed number of hours or credits that must be completed in each increment. Instead, you can require the student to complete a certain percentage of the hours or credits she attempts. By setting a percentage rather than a fixed number of hours or credits, you can easily adjust for differences in enrollment status from student to student or from one year to the next.

Your academic progress policy may use a graduated completion percentage for each year of enrollment. For instance, your policy can permit students to complete a lower percentage in the first academic year but require them to complete a gradually increasing percentage in subsequent years. This will ensure that the student completes the program within the maximum timeframe.

However, if at any point it's clear the student will not be able to meet the quantitative standard by graduation, the student becomes ineligible for aid.

At some schools (mainly clock-hour schools), a student is given credit for every hour attended, so that the hours attempted equal the hours earned. In such cases the quantitative standard must be based on calendar time (in weeks or months).

- provisions to **determine at the end of each increment** whether the student has met the qualitative and quantitative components of the standards or exceeded the maximum timeframe;
- provisions for **consistent application** of the standards to all students within categories, e.g., full-time, part-time, undergraduate, and graduate students, and educational programs established by the school;

Calendar Time Quantitative Standard Example

Lem Community College has a 900-clock-hour program that normally takes 8 months to complete. Lem allows a maximum timeframe of 12 months to complete the program. Lem divides this timeframe into increments of 4 months (which is half the published length of the program). In order to complete the entire program within 12 months, the student must complete 300 clock hours in each increment. Lem's satisfactory progress standards therefore require the student to attend 300 clock hours within the first 4 months (the first increment), 600 clock hours by the end of the second increment (after 8 months), and 900 hours by the end of the 12-month maximum timeframe.

- specific procedures through which a student may **appeal** a determination that the student is not making satisfactory progress;

Your school may permit appeals of adverse SAP determinations for mitigating circumstances. If you do, your school's written SAP policy must explain the mitigating circumstances and the appeals procedures.

When you approve an appeal for mitigating circumstances you are suspending the SAP standards for that student. You are not eliminating or disregarding one or more grades or credits attempted in its calculation of a student's SAP standing. The student's permanent academic record has not been modified. So, when you grant an appeal, you are acknowledging that, because of the documented unusual circumstances, the student continues to be FSA eligible even though he or she falls below your school's SAP standard.

Conditional or probationary periods. Your school's policy can also include a limited conditional or probationary period during which a student who doesn't meet your school's SAP standards can continue to receive FSA funds.

- A school must have a process that contains specific procedures through which a student can reestablish that he or she is maintaining satisfactory progress. They must describe that process in their published information.

The requirement that a student complete a number of credits, or enroll for a number of academic periods without receiving Federal Student Aid, and the requirement that a student interrupt his or her attendance for one or more academic periods may be components of a school's SAP policy. However, **neither paying for one's classes, or sitting out a semester in themselves affect a student's SAP standing.** Therefore, neither, by itself or in combination is sufficient to reestablish the FSA eligibility of a student who has lost his or her eligibility because he or she has failed to satisfy a school's standard of Satisfactory Academic Progress.

Consider a student who loses his or her eligibility for FSA funds because the student fails to satisfy a school's standard of satisfactory academic progress. Other than when an appeal is granted for unusual or mitigating circumstances, a student can reestablish eligibility only by taking action that brings the student into compliance with the qualitative and quantitative components of the school's standard including the maximum timeframe.

A discussion of applying a satisfactory academic progress policy to a student's academic history can be found in *Volume 1 — Student Eligibility*.

Eligibility for FSA aid is predicated on the maintenance of SAP. It is not affected by whether or not a student receives aid during a previous period.

Example: probationary period

As part of its satisfactory progress policy, Lem Community College has a provision for academic probation. The first time a student fails to meet the satisfactory progress standards, she receives a notice from the school and is put on academic probation for one term or payment period. The student can receive aid during this period, but isn't allowed to enroll more than half time. If the student doesn't meet the satisfactory progress standards at the end of the probationary term, she loses eligibility for any subsequent payments until she meets the satisfactory progress standards again. Note that Lem does not have a probationary period that simply requires the student to not attend school for a time; absence does not restore eligibility.

If a student's eligibility is restored as a result of the appeal, the school must reevaluate the student's SAP within one year. A school may establish increments that are shorter than one year.

Financial aid history cite

34 CFR 668.19

DCL GEN-00-12

DCL GEN-01-09, July 2001 (including July 16, 2001, update)

Transfer student monitoring process

You must verify the eligibility of transfer students for FSA funds. You may either check the student's financial aid history on the NSLDS Web site for professionals, or wait seven days after you've submitted the student's information for monitoring to receive a response from NSLDS.

To begin using the "inform" feature, you must designate a contact on the "School Transfer Profile" page at

www.nslsdfap.ed.gov

The eCDR Process

The official FY2003 default rates will be sent in electronic form (as a plain-text message) to all domestic schools in the fall of 2005.

You must enroll in the eCDR process by June 1, 2005, using the enrollment form at:

www.fsawebenroll.ed.gov

On this Web page, choose "Enroll" and then select the radio button for "Modify Existing Services for a Destination Point."

The default rates will continue to be mailed to foreign schools.

Default rates on the Web at

www.ed.gov/offices/OSFAP/defaultmanagement/index.html

FINANCIAL AID HISTORY

A school must consider a student's financial aid history in making FSA program awards. The regulations **require** that schools use NSLDS data to obtain information about a student's financial aid history.

In order to receive students' financial aid history, **your school must register** for the *Transfer Student Monitoring Process*.

Through the transfer student monitoring process, NSLDS will monitor a transfer student's financial aid history and alert you to any relevant changes — other than the default and overpayment information reported in the postscreening process — that may affect the student's current award(s).

You must send NSLDS identifying information for students transferring to your school so that NSLDS can use transfer monitoring to notify you of changes to the student's financial aid history. You may send information for students who have expressed an interest in attending your school, even if they have not yet formally applied for admission.

You can find a complete discussion of this requirement and the transfer student monitoring process in *Volume 1 — Student Eligibility*.

COHORT DEFAULT RATES

Generally speaking, a cohort default rate (CDR) is the percentage of a school's student borrowers who enter repayment on Stafford loans during a particular fiscal year and who default before the end of the next fiscal year. (There are other criteria and exceptions — see the complete definition in the Cohort Default Rate Guide.) In addition, separate CDRs are calculated for a school's Perkins loans.

The Department releases draft default rates in February to allow schools an opportunity to review and correct the data that will be used to calculate their official cohort default rates. In the early fall of each year, the Department issues the official cohort default rates. The rates that were issued in September 2004, were based on the cohort of students who entered repayment in fiscal year 2002 (the federal fiscal year runs from October 1, 2001 – September 30, 2002). These rates will be electronically delivered to schools and posted on the Web.

The fiscal year 2003 rates will be issued in the fall of 2005. If your school is located in the U.S., you must enroll for electronic delivery of the rates (see sidebar note for instructions).

If your school has a default rate above established thresholds, it may be subject to certain sanctions. For more information, please refer to the Cohort Default Rate Guide.

Effect of default rates

A school is **not** administratively capable when

- the cohort default rate for Perkins loans made to students for attendance at the school exceeds 15% (see *Volume 6 – Campus-Based Programs* for details), or
- the cohort default rate for Federal Stafford/SLS loans or for Direct Loans made to students for attendance at the school equals or exceeds 25% for one or more of the three most recent fiscal years or if the most recent cohort default rate is greater than 40%.

In addition to affecting a school's administrative capability and limiting the school's participation in the FSA programs, a high default rate may make a school ineligible to participate in the FFEL, Direct Loan, Federal Pell Grant, or Perkins program or cause the Department to limit, suspend, or terminate a school's participation in the FSA programs. For detailed information on default requirements refer to the Cohort Default Rate Guide that the Department provides to schools.

At its discretion, the Department **may** provisionally certify a school that would not be administratively capable solely because of its high default rate (34 CFR 668.16(m)(2)(i)).

Default Management responds to questions about FFEL/DL cohort default rates, and reviews FFEL/DL cohort default rate challenges, adjustments, and appeals. It also provides training and publications on FFEL/DL cohort rate calculations and the challenge/adjustment/appeal process. Default Management's Web site is

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>

Cohort Default Rate Guide

For more technical information on default rates, please refer to the **Cohort Default Rate Guide**. The Guide is updated continuously on the IFAP Web site.

<http://ifap.ed.gov/IFAPWebApp/currentDRMaterialsPag.jsp>

Questions about Cohort Default Rates

Telephone

202/377-4259

email

FSA.Schools.Default.Management@ed.gov

Default rates and suspension cite

34 CFR 668.16(m)(1)

Consequences of default cite

34 CFR 668.187

Contacting Default Management

Phone: 202-377-4258

Hotline: 202-377-4259

FAX: 202-275-4511

E-MAIL: fsa.schools.default.management@ed.gov

Default Management Plan in the regulations cite

34 CFR 668, Subpart M, Appendix B

Exemption from default management plan cite

Sec. 487(a)(14)(C)

34 CFR 668.14(b)(15)(B)(ii)

The Department has developed a sample default management plan. You can find additional information in DCL-GEN-01-08, June 2001 online at

<http://ifap.ed.gov/dpclatters/gen0108.html>

Enrolled

A student enrolls when he or she completes the registration requirements (except payment of tuition and fees) at the school. Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

Default management plan

New schools are required to develop a default management plan prior to certification. In addition, a school that undergoes a change in ownership that results in a change in control or a school that changes its status as a main campus, branch campus, or additional location must also develop a default management plan.

Schools applying to participate are 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%.

For information about the default rate regulations for the Perkins Loan program, see *Volume 6 – Campus-Based Programs*.

WITHDRAWAL RATES

New schools (schools that seek to participate in an FSA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% for an award year in order to be considered administratively capable.

When calculating the withdrawal rate, all regular, enrolled students must be included. The definition of *enrolled* does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or who did not actually begin attending classes. A student is considered to have withdrawn if he or she officially withdraws, unofficially drops out, is expelled from the school, or receives a refund of 100% of his or her tuition and fees. A student who withdraws from one or more courses or programs but does not withdraw entirely from the school, does not meet the definition of *withdrawn*. Instead, this action is considered a change in enrollment status (e.g., the student reduced his credit hours from 12 to 6).

DEBARMENT AND SUSPENSION CERTIFICATION

Debarment of school or its principals

In order to protect the public interest, it is the policy of the federal government to conduct business only with responsible individuals. In order to implement this policy, the government takes debarment and suspension actions against individuals whom it determines constitute a current risk to federal agencies. If a school (or its principals) is debarred or suspended by a federal agency, it is prohibited from participating in any FSA program, so long as the agency's procedures include due process protections that are equivalent to those provided by ED.

The principals of the school include its owners, directors, officers, partners, employees, and any other persons with management or supervisory responsibilities. A principal may also be someone who is not employed by the school but who has critical influence on or substantive influence over a covered transaction (such as the receipt of Pell Grant or Campus-Based funds). For example, a principal may be someone whether or not employed by the school who –

- is in a position to handle Federal funds;
- is in a position to influence or control the use of those funds; or
- occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction.

Before a school may receive FSA funding, it must certify that neither the school nor its employees have been debarred or suspended by a federal agency. (You can find this certification in the Program Participation Agreement and in the Web-based FISAP package available to schools participating in the Campus-Based programs.)

Institutions participating in the FSA programs have a fiduciary responsibility to safeguard FSA funds, and ensure those funds are used for the benefit of the students for whom they are intended. We expect participating institutions to thoroughly examine the background of individuals they employ (or are considering employing) in management or supervisory positions. If a school discovers that a person employed in a management or supervisory capacity has been suspended, or debarred by a federal agency, the school must remove that person from such a position or risk losing its FSA eligibility. Moreover, a school may not enter into a relationship (and must terminate an ongoing relationship) with a lender, third-party servicer, or loan servicer the school determines has been debarred or suspended.

Debarment and suspension cite

Executive Order 12549
Federal Acquisition Regulations
(48 CFR Part 9, Subpart 9.4)
34 CFR Part 85

Similar debarment and suspension limitations apply to lenders, third-party servicers, loan servicers, and any individuals who provides services described in 34 CFR 668.2 or 682.200 to a FSA recipient whether or not they are employed by the school as described in 34 CFR 600.85.995(b)

Title IV, HEA transactions include

1. disbursement of funds provided under a Title IV program to a student or borrower;
2. certification by an educational institution of eligibility for a loan under a Title IV program;
3. guaranteeing a loan made under a Title IV program; and
4. acquisition or exercise of any servicing responsibility for a grant, loan, or work study assistance under a Title IV program.

Certifying current or prospective employees or contractors

The certification provided by the school is a *material representation of fact* relied upon by the Department when it enters into a Participation Agreement with the school. Moreover, a school is expected to *have knowledge and information normally possessed by a prudent person in the ordinary course of business dealings*. Although the Department doesn't dictate how a school must ensure that its principals/employees have not been debarred or suspended by a federal agency, we do hold the school responsible for any information it could reasonably have been expected to know in the course of ordinary operations. In addition, we expect the school to expend a reasonable amount of effort ensuring that it and its employees are in compliance. If the Department learns that a prospective participant knowingly rendered an erroneous certification, in addition to other remedies available, the Department may terminate the participation of the institution.

A school chooses the method and frequency for making a determination about the eligibility of its principals. This might include asking current and prospective employees and contractors, in person or in writing, about their debarment or suspension histories. In addition, a school might also examine the *List of Parties Excluded from Federal Procurement and Nonprocurement Programs* to find out if an individual or organization is debarred or suspended.

A school should discuss with its attorney the procedures appropriate to its circumstances.

The employees who award FSA funds and those who disburse them should be always be included in those whose backgrounds are examined. In addition, employees who participate in other transactions from which the regulations exclude individuals who have been debarred or suspended should be included. A school should consult with its attorney on the individuals it must certify.

The debarment or suspension of a person who is not a principal of the school and who does not work in the financial aid office will not affect the school's FSA eligibility, so long as that person is not involved in any covered transactions.

The "List of Parties Excluded from Federal Procurement and Nonprocurement Programs" is available for review at a Web site maintained by the General Services Administration.

<http://epls.arnet.gov/>

If you use this Web site to check debarment or suspension status, in order to make a valid search, you must enter the name as follows:

Last Name-comma-First Name

You should keep a copy of the search results in your records.

Lower-tier covered transactions

A school must not enter into lower-tier covered transactions with a debarred or suspended individual or organization. A lower-tier covered transaction is any transaction between a participant in a covered transaction (such as the school) and another individual or organization, if that transaction stems from a covered transaction. A school must obtain a certification from any lower-tier organization if the amount of the lower-tier transaction is \$25,000 or more. (The required certification clause is given on page 25 of DCL-GEN-89-21.) The lower-tier organization must inform the school in writing if the organization or its principals are debarred or suspended. Therefore, the certification does not need to be renewed from year to year.

Lower-tier transactions

Examples of common lower-tier covered transactions are a school's contracts with a financial aid consultant service or with a loan collection or billing agency.

