

# Volume 2 – Contents

<b>CHAPTER 1 – INSTITUTIONAL ELIGIBILITY .....</b>	<b>2-1</b>
The Three Definitions of Eligible Institutions .....	2-1
Institutional Control .....	2-1
Type and Control of Eligible Institutions .....	2-2
Eligible Institution .....	2-3
Legal Authorization by a State .....	2-3
Accreditation.....	2-3
Alternatives to Accreditation .....	2-4
<i>Primary accreditor, Dual accreditation</i>	
Admissions Standards .....	2-5
<i>High school diploma, Recognized equivalent of a high school diploma,</i>	
<i>Criteria for ability-to-benefit and home school students</i>	
“Two-Year” Rule .....	2-6
Additional Institutional Eligibility Factors .....	2-7
<i>Demonstrations of compliance, The 90/10 Rule, Correspondence course</i>	
<i>and correspondence student limitation, Incarcerated student limitation,</i>	
<i>Limitation on students admitted without HS diploma or equivalent,</i>	
<i>Bankruptcy, Crimes involving FSA program funds</i>	
Foreign Schools Eligible for FFEL Programs.....	2-12
 <b>CHAPTER 2 – APPLYING FOR PARTICIPATION IN</b>	
<b>THE FSA PROGRAMS.....</b>	<b>2-13</b>
Applying to Participate .....	2-13
<i>The Electronic Application (E-App), Applying for initial certification</i>	
<i>as a participating school, Applying for reinstatement after voluntary withdrawal,</i>	
<i>Applying for reinstatement after termination or preemptive withdrawal</i>	
Eligibility During Review Period and After Approval .....	2-15
<i>Status during the review period, Effective date for participation (if approved),</i>	
<i>Beginning to disburse funds (if approved)</i>	
Provisional Certification.....	2-16
<i>Revoking provisional certification</i>	
Other Requirements.....	2-18
<i>FSA Administration training requirement, Application fees prohibited</i>	
The Program Participation Agreement .....	2-20
<i>Purpose and scope of the PPA, Expiration or termination of the Agreement</i>	
Contents of the Program Participation Agreement.....	2-21

<b>CHAPTER 3 – GENERAL PARTICIPATION REQUIREMENTS.....</b>	<b>2-25</b>
Contracts with Third-Party Servicers .....	2-25
<i>Excluded functions, Requirements for contracting with a third-party servicer,</i>	
<i>Notifying the Department of contracts</i>	
School Lender in the FFEL Program.....	2-28
Incentive Compensation .....	2-29
<i>Adjustments to employee compensation, Enrollments in programs that are not</i>	
<i>eligible for FSA funds, Contracts with employers to provide training,</i>	
<i>Profit-sharing or bonus payments, Compensation based upon program completion,</i>	
<i>Pre-enrollment activities, Managerial and supervisory employees, Token gifts,</i>	
<i>Profit distribution, Internet-based activities, Payments to third parties for</i>	
<i>non-recruitment activities, Payments to third parties for recruitment activities</i>	
Prohibited Activities in the Loan Programs .....	2-33
Programs to Prevent Drug & Alcohol Abuse .....	2-34
<i>Drug &amp; alcohol abuse prevention programs, Drug-Free Workplace requirements</i>	
<i>for Campus-Based schools</i>	
Anti-Lobbying Certification and Disclosure .....	2-36
Reporting Information on Foreign Sources and Gifts .....	2-37
<i>Who must report, Timing of submission, Information to be reported,</i>	
<i>Alternative reporting</i>	
General Requirements.....	2-39
<i>Voter registration, Preparatory programs for students without</i>	
<i>high school diploma or equivalent</i>	
 <b>CHAPTER 4 –PROGRAM ELIGIBILITY.....</b>	 <b>2-43</b>
Program Eligibility Requirements.....	2-43
Determination of program eligibility .....	2-43
<i>Types of eligible programs at an institution of higher education</i>	
<i>Types of eligible programs at a proprietary or postsecondary vocational institution</i>	
Additional Eligibility Requirements.....	2-46
<i>ACG and National SMART Grant programs, ESL programs,</i>	
<i>Direct Assessment programs, Study abroad programs, Flight school programs</i>	
Clock Hour/Credit Hour Conversions in Determining Program Eligibility.....	2-49
<i>Formulas for clock/credit hour conversion,</i>	
<i>Credits approved by state and accrediting agencies</i>	
 <b>CHAPTER 5 – UPDATING APPLICATION INFORMATION .....</b>	 <b>2-51</b>
Recertification .....	2-51
Change in Ownership of For-Profit and Nonprofit Institutions .....	2-52
<i>Changes at public institutions, Change in ownership that results in a change of control, structure,</i>	
<i>or governance, Change in ownership for closely-held corporations,</i>	
<i>Change in ownership for publicly traded corporations, Change in ownership</i>	
<i>for corporations that are not closely held or registered with SEC</i>	
Changes in Ownership Interest and 25% Threshold .....	2-54

Steps to be Taken During Change in Ownership .....	2-56
<i>Steps to be taken by former owners, Steps to be taken by prospective owners,</i>	
<i>Accepting liabilities and responsibility for return of funds, Payments to eligible students</i>	
Temporary Approval for Continued Participation .....	2-58
Substantive Changes and How to Report Them.....	2-60
<i>Approval required from accreditor &amp; state agency,</i>	
<i>Notification of school closure or bankruptcy</i>	
Adding Locations .....	2-63
<i>Eligibility of additional locations, Reporting a new location,</i>	
<i>Applying for approval of a new location</i>	
Adding programs .....	2-65
<i>Adding a program—when a school may make eligibility determinations,</i>	
<i>ED must approve all other added programs, Maximum percentages of</i>	
<i>correspondence courses, students admitted without HS diploma or equivalent,</i>	
<i>and incarcerated students</i>	
Changing the Status of a Campus or Branch .....	2-66
<i>Changing from a non-main campus to a branch campus,</i>	
<i>Changing from a branch campus to a freestanding main campus</i>	
Changes in Accreditation .....	2-67
<i>Loss of accreditation, Change in institution-wide accreditation,</i>	
<i>Changing to accreditation by more than one institution-wide accrediting agency</i>	

## CHAPTER 6 – PROVIDING CONSUMER INFORMATION ..... 2-69

Basic Consumer Information Requirements.....	2-70
<i>Financial aid information, General information about the school,</i>	
<i>Consumer information from the Department</i>	
Graduation & Completion Rates (Student Right-to-Know disclosures).....	2-72
<i>Reporting completion or graduation and transfer-out rates to the Department, Disclosing and</i>	
<i>reporting information on completion or graduation and transfer-out rates for</i>	
<i>the general student body cohort, Reporting completion/graduation rates for student athletes,</i>	
<i>Disclosing the rates for student athletes, Reporting the rates for student athletes, Supplemental</i>	
<i>information</i>	
Equity in Athletics (Participation Rates & Support for Athletic Programs) .....	2-76
<i>Disclosure of the report, Contents of the Equity in Athletics/EADA Report</i>	
Loan Counseling .....	2-78
<i>Providing borrower information at separation, Exit counseling follow up,</i>	
<i>Counseling for correspondence and study abroad students</i>	
Drug and alcohol abuse prevention information.....	2-85
<i>Information to be included in drug prevention materials,</i>	
<i>Distribution of materials to all students and employees</i>	
Misrepresentation .....	2-86
<i>Definition of misrepresentation</i>	
Campus Security .....	2-88
<i>Compiling &amp; reporting campus security policies and crime statistics,</i>	
<i>Distribution of the annual security report</i>	

<b>CHAPTER 7 – WRITTEN AGREEMENTS BETWEEN SCHOOLS .....</b>	<b>2-93</b>
Consortium Agreement .....	2-94
<i>Elements of a consortium agreement</i>	
Contractual Agreement .....	2-95
<i>Limitations on contractual agreements</i>	
Study Abroad or Domestic Exchange Programs.....	2-96
<i>Students in approved study abroad programs are entitled to FSA</i>	
 <b>CHAPTER 8 – DISTANCE EDUCATION .....</b>	 <b>2-97</b>
Telecommunications Courses .....	2-98
Correspondence Courses .....	2-99
<i>Definition of “correspondence course,” School eligibility: limits on correspondence courses and correspondence students, Exceptions and other considerations</i>	
 <b>CHAPTER 9 – RECORDKEEPING AND DISCLOSURE .....</b>	 <b>2-103</b>
Required Records .....	2-103
<i>Program Records, Fiscal records, Loan program records, Records of the schools administration of the FSA programs</i>	
Record Retention Periods.....	2-108
Record Maintenance .....	2-108
<i>Acceptable formats, Special requirements for SARs and ISIRs</i>	
Examination of records .....	2-110
<i>Location, Cooperation with agency representatives, Timely access, FSA recipient information, Reasonable access to personnel</i>	
Privacy of Student Information (FERPA Rules) .....	2-112
<i>Students &amp; parents’ rights to review educational records, Prior written consent to disclose student’s records, Disclosures to school officials, Disclosures to government agencies, Disclosures in response to subpoenas or court orders, Documenting the disclosure of information</i>	
Establishing and Maintaining an Information Security Program.....	2-116
 <b>CHAPTER 10 – ADMINISTRATIVE CAPABILITY.....</b>	 <b>2-119</b>
Required Electronic Processes.....	2-119
<i>Information for Financial Aid Professionals (IFAP) and the Financial Aid Professionals Portal</i>	
Administrative Requirements for the Financial Aid Office .....	2-122
<i>Coordinating official, Consistency of information &amp; conflicting information, Counseling, Adequate staffing, System of checks and balances</i>	
Satisfactory Academic Progress .....	2-125
<i>Qualitative component, Quantitative component, Other required components, Counting all periods of enrollment, Appeals and probationary/conditional periods, Reestablishing academic progress</i>	
Sharing Information with NSLDS, the DL Servicing Center, and Guarantors .....	2-131
<i>Reporting student enrollment data to NSLDS, Updating borrower information at separation, Sharing information about delinquent/defaulted borrowers, Financial aid history &amp; transfer monitoring</i>	
Cohort Default Rates.....	2-134

<i>Release of draft and official rates for FFEL and DL programs, Effect of cohort default rates, Default prevention &amp; management plan,</i>	
Withdrawal Rates.....	2-135
Debarment and Suspension Certification.....	2-136
<i>Debarment of school or its principals, Certifying current or prospective employees or contractors, Lower-tier covered transactions</i>	

## CHAPTER 11 – FINANCIAL STANDARDS ..... 2-139

General Standards for Public Schools.....	2-140
General Standards for Proprietary or Private Nonprofit Schools.....	2-140
<i>Composite score, Refund reserve standards, Returning funds in a timely manner, Compliance thresholds for timely return of funds, Letter of credit required when funds are not returned in a timely manner, Exceptions to the letter of credit requirement, Current in debt payments</i>	
Alternatives to the General Standards.....	2-146
<i>Letter of credit alternative for new school, Letter of credit alternative for participating school, Zone alternative, Provisional certification for school not meeting standards, Provisional certification for school where persons or entities owe liabilities</i>	
Past Performance and Affiliation Standards.....	2-149
<i>Past performance of a school, Past performance of persons affiliated with a school</i>	

## CHAPTER 12 – PROGRAM INTEGRITY..... 2-151

The Department's Role.....	2-151
FSA Audit Requirements for Schools.....	2-151
<i>Simultaneous FSA audit submissions, Waivers of the FSA audit requirement, Submission dates for FSA audits, FSA compliance audit submission requirements, FSA audited financial statement requirements, FSA consolidated statements, Required disclosure of 90/10 revenue test, Single Audit Act and A-133 audit guidelines, Having the audit performed, Audits for third-party servicers, Review of FSA Audit submissions, Access to records, eZ-Audit</i>	
Program reviews.....	2-162
<i>Unannounced Program Reviews, Written report, Appealing audit and program review determinations, Case management</i>	
Reviews Conducted by Guaranty Agencies.....	2-165
Corrective Actions & Sanctions.....	2-166
<i>Sanctions, Criminal penalties</i>	
Notifying ED When a School's FSA Participation Ends.....	2-168
<i>Involuntary withdrawal from FSA participation, Voluntary withdrawal from FSA participation</i>	
Closeout Procedures.....	2-170
<i>When participation ends, Additional closeout procedures, Unpaid commitments</i>	
Loss of Eligibility or Withdrawal from the Loan Programs.....	2-171
Quality Assurance Program.....	2-172
Experimental Sites Initiative.....	2-172
FSA Assessments.....	2-173
ISIR Analysis Tool.....	2-173