

Contents

Institutional and Program Eligibility	1
THE THREE DEFINITIONS OF ELIGIBLE INSTITUTIONS	1
CONTROL AND LEGAL AUTHORIZATION	3
<i>Control</i>	
<i>Legal Authorization by State</i>	
ACCREDITATION	3
<i>Alternatives to Accreditation</i>	
<i>Changes in Accreditation</i>	
<i>Dual Accreditation</i>	
ADMISSIONS STANDARDS	4
<i>High School Diploma</i>	5
<i>Recognized Equivalent of a High School Diploma</i>	5
<i>GED Preparatory Program Required</i>	5
“TWO-YEAR” RULE	6
ADDITIONAL INSTITUTIONAL ELIGIBILITY FACTORS	6
<i>Demonstrations of Compliance</i>	6
<i>The 90/10 Rule (Formerly the 85/15 Rule)</i>	7
<i>Correspondence Course Limitation</i>	9
<i>Correspondence Student Limitation</i>	10
<i>Incarcerated Student Limitation</i>	10
<i>Ability-to-Benefit Limitation</i>	11
<i>Bankruptcy</i>	11
<i>Crimes Involving SFA Program Funds</i>	11
PROGRAM ELIGIBILITY REQUIREMENTS	12
<i>Determination of Program Eligibility</i>	12
<i>Institution of Higher Education</i>	12
<i>Proprietary or Postsecondary Vocational Institution</i>	13
<i>Exceptions to Eligible Program Definition</i>	
WEEKS OF INSTRUCTION AND THE 12-HOUR RULE	14
<i>Weeks of Instruction</i>	15
<i>Minimum Weeks and Hours</i>	15
<i>Treatment of Holidays</i>	15
ADDITIONAL ELIGIBLE PROGRAM REQUIREMENTS	15
<i>ESL Programs</i>	16
<i>Study Abroad Programs</i>	16
<i>Flight Schools</i>	16
CLOCK HOUR/CREDIT HOUR CONVERSIONS	16
FOREIGN SCHOOLS ELIGIBLE FOR FFEL PROGRAMS	18
<i>Foreign Medical Schools</i>	18
REPORTING INFORMATION ON FOREIGN SOURCES	19
<i>Who Must Report</i>	19
<i>Contents of Disclosure Report</i>	20
<i>Where to Send Reports</i>	21
SOLOMON-POMBO AMENDMENT	21

General Participation Requirements.....	23
THE PROGRAM PARTICIPATION AGREEMENT	23
<i>Purpose and Scope of the PPA</i>	23
<i>PPA Requirements</i>	24
<i>GED Preparatory Program Required</i>	26
<i>Civil Rights and Privacy Requirements</i>	26
PROJECT EASI	26
DEFINITION OF A PAYMENT PERIOD	27
<i>Term-based Credit Hour Programs</i>	28
<i>Nonterm Credit Hour Programs and Clock Hour Programs</i>	28
ACADEMIC YEAR REQUIREMENTS	32
<i>Thirty-week Minimum of Instructional Time</i>	32
<i>Determining Academic Year Length</i>	33
<i>Reductions in Academic Year Length</i>	34
CONTRACTS WITH THIRD-PARTY SERVICERS	35
<i>Excluded Activities</i>	35
<i>Employees of a School</i>	36
<i>Requirements for Contracting with a Third-party Servicer</i>	36
<i>Institutional Liability</i>	36
<i>Notification of Contracts to the Department</i>	36
ANTI-DRUG ABUSE REQUIREMENTS	37
<i>Requirements for a Drug-free Workplace</i>	37
<i>Scope of the Act</i>	38
<i>Submission of Certification to the Department</i>	38
<i>Distribution to Students and Staff</i>	38
<i>Development and Review of a Drug Prevention Program</i>	38
<i>Consequences of Noncompliance</i>	39
ANTI-LOBBYING CERTIFICATION AND DISCLOSURE	39
Administrative Capability	41
REQUIRED ELECTRONIC PROCESSES	41
<i>January 1, 1998 Requirements</i>	44
<i>July 1, 1998 Requirements</i>	44
<i>January 1, 1999 Requirements</i>	46
<i>July 1, 1999 Requirements</i>	46
COORDINATION OF AID	47
CONSISTENCY OF STUDENT INFORMATION	47
OIG REFERRALS	48
COUNSELING	48
ADEQUATE STAFFING	48
SATISFACTORY PROGRESS AND FINANCIAL AID HISTORY	49
DEFAULT RATES	49
WITHDRAWAL RATES	50
DEBARMENT AND SUSPENSION CERTIFICATION	51
<i>Debarment of School or its Principals</i>	51
<i>Checking Prospective Employees or Contractors</i>	51
<i>Lower-tier Covered Transactions</i>	52

Financial Responsibility	53
NOVEMBER 25, 1997 FINAL REGULATIONS	53
GENERAL STANDARDS	54
ALTERNATIVES TO THE GENERAL STANDARDS	59
PAST PERFORMANCE AND AFFILIATION STANDARDS	63
FINANCIAL STATEMENTS	64
FOREIGN SCHOOLS	65
Cash Management	67
PURPOSE OF CASH MANAGEMENT REQUIREMENTS	67
REQUESTING FUNDS	68
<i>The Advance Payment Method</i>	68
<i>The Reimbursement Method</i>	68
<i>The Cash Monitoring Payment Method</i>	70
<i>The Just-In-Time Payment Method</i>	70
GAPS	72
MAINTAINING AND ACCOUNTING FOR FUNDS	60
<i>Bank Account Notification Requirements</i>	72
<i>Interest-bearing or Investment Account</i>	73
<i>Accounting and Financial Requirements</i>	74
DISBURSING FUNDS	74
DEFINITION OF DISBURSED	74
DISBURSING SFA FUNDS DIRECTLY	76
DISBURSEMENT BY PAYMENT PERIOD	77
<i>Excused Absences</i>	77
EARLY DISBURSEMENTS	78
LATE DISBURSEMENTS	78
SFA CREDIT BALANCES	80
<i>Holding Credit Balances</i>	81
PRIOR-YEAR CHARGES	82
REQUIRED SCHOOL NOTIFICATIONS	82
<i>Opportunity for Loan Cancellation</i>	82
REQUIRED STUDENT AUTHORIZATIONS	84
EXCESS CASH	86
<i>Allowable Excess Cash Tolerances</i>	86
ADMINISTRATIVE COST ALLOWANCE	87
<i>The Pell Grant Program</i>	87
<i>Campus-based Allowance</i>	87
Withdrawals (Refunds)	89
THE AMENDMENTS OF 1998	89
<i>Major Changes</i>	89
<i>General Requirements</i>	90
<i>Withdrawal Date</i>	90
<i>Leave of Absence</i>	90
<i>Calculation of Amount of SFA Program Assistance Earned</i>	91
<i>Percentage the Payment Period or Period of Enrollment Completed</i>	91
<i>Disposition of Differences Between Amount Earned and Amount Received</i>	92
<i>Return of Unearned SFA Program Funds</i>	92

<i>Method of Return of Funds by the Student</i>	92
<i>Order of Return of SFA Program Funds</i>	92
CONSUMER INFORMATION	93
CURRENT REFUND REQUIREMENTS	93
<i>When the Requirements Apply</i>	93
<i>Treatment of FWS, FFEL, and Direct Loan Funds</i>	95
CONSUMER INFORMATION	95
FAIR AND EQUITABLE REFUND REQUIREMENT	96
<i>First-time Student</i>	96
<i>Continuing Student</i>	96
COMPARING TO DETERMINE THE LARGEST REFUND	97
<i>State Guidelines</i>	98
<i>Accrediting Agency Guidelines</i>	98
<i>Statutory Pro Rata Requirements</i>	98
<i>Calculating and Comparing the Refunds</i>	98
<i>The State Refund Calculation (Example)</i>	99
<i>The Statutory Pro Rata Refund Calculation (Example)</i>	99
WITHDRAWAL DATE	99
APPROVED LEAVE OF ABSENCE	101
PERIOD OF ENROLLMENT FOR WHICH THE STUDENT HAS BEEN CHARGED	102
DETERMINING INSTITUTIONAL AND NONINSTITUTIONAL COSTS	102
<i>Institutional Versus Non-institutional Costs</i>	102
<i>Common Misconceptions about Institutional Costs</i>	103
<i>General Guidelines for Defining Institutional Costs</i>	104
<i>Applying the Rules? Is this an Institutional Cost?</i>	107
<i>Summary</i>	107
UNPAID CHARGES	109
AID "RECEIVED"	111
LATE DISBURSEMENTS	111
<i>Credit Balances</i>	112
<i>Institutional Scholarships and Loans</i>	113
PRO RATA REFUND CALCULATIONS	114
FEDERAL REFUND POLICY CALCULATIONS	117
REPAYMENT CALCULATIONS	118
REFUNDS OF \$25 OR LESS AND REPAYMENTS UNDER \$100	119
ALLOCATING REFUNDS AND REPAYMENTS	120
TIME FRAMES FOR RETURN OF FUNDS	122
PENALTIES FOR FAILURE TO PAY REFUNDS	122
<i>Criminal Penalties</i>	122
<i>Additional Penalties</i>	122
CASE STUDIES	125

Consumer Information 155

BASIC CONSUMER INFORMATION REQUIREMENTS	156
<i>Financial Aid Information</i>	156
<i>General Information about the School</i>	157
CONSUMER INFORMATION FROM THE DEPARTMENT	158
JOB PLACEMENT RATES	159
<i>Data to Support Placement Claims</i>	159
CAMPUS SECURITY	159
<i>General Information</i>	159
<i>Distribution of the Campus Crime Report</i>	160

<i>Definition of “campus”</i>	161
<i>Timely Warning</i>	161
<i>Campus Security Authority</i>	162
<i>FERPA</i>	163
<i>Daily Crime Log</i>	164
<i>The Campus Crime Report</i>	164
<i>Policies and Procedures for Reporting Crimes</i>	164
<i>Complaints Against a School</i>	167
STUDENT RIGHT TO KNOW	167
<i>Determining the Cohort</i>	168
<i>Waivers</i>	169
<i>Disclosure for the General Student Body</i>	170
<i>Athletically Related Student Aid Disclosure Requirements</i>	174
EQUITY IN ATHLETICS	177
<i>Disclosure of the Report</i>	177
<i>Contents of the Report</i>	178
<i>Definitions</i>	179
<i>The Requirements Formerly Known as “PPA Requirements for Schools Awarding Athletically Related Financial Aid”</i>	180
LOAN COUNSELING	181
<i>Information to be Included in Drug Prevention Materials</i>	181
<i>Distribution of Materials to All Students and Employees</i>	182
DRUG AND ALCOHOL ABUSE PREVENTION INFORMATION	190
MISREPRESENTATION	182
<i>Definition of Misrepresentation</i>	182
<i>Nature of Educational Program</i>	183
<i>Nature of Financial Charges</i>	184
<i>Employability of Graduates</i>	184
EQUITY IN ATHLETICS—OPTIONAL FORM	185

Recordkeeping and Disclosure 193

REQUIRED RECORDS	193
<i>Program Records</i>	194
<i>Fiscal Records</i>	194
<i>General Records</i>	195
RECORD RETENTION PERIODS	196
RECORD MAINTENANCE	198
<i>Acceptable Formats</i>	198
<i>Special Requirements for SARs and ISIRs</i>	198
EXAMINATION OF RECORDS	199
<i>Location</i>	199
<i>Cooperation with Agency Representatives</i>	199
<i>Timely Access</i>	199
<i>Reasonable Access to Personnel</i>	199
<i>SFA Recipient Information</i>	200
DISCLOSING STUDENT INFORMATION	200
<i>FERPA</i>	200
<i>Disclosure Requests for Information</i>	202
<i>Sample Disclosure Statement</i>	202
<i>Redisclosure to Other Authorized Parties</i>	202

Agreements Between Schools	205
CONSORTIUM AGREEMENT	205
<i>Elements of a Consortium Agreement</i>	205
<i>Effective Date of Agreement</i>	206
CONTRACTUAL AGREEMENT	206
STUDY ABROAD OR DOMESTIC EXCHANGE PROGRAMS	207

Applying for and Maintaining Participation in the SFA Programs 209

APPLYING TO PARTICIPATE	209
<i>When to Complete an Application</i>	210
<i>Electronic Application</i>	210
<i>Submission Time Frames</i>	213
<i>Status Following Submission</i>	214
<i>PPA and ECAR</i>	215
<i>Effective Date for Participation</i>	215
<i>Provisional Certification</i>	216
<i>Revoking Provisional Certification</i>	217
PRECERTIFICATION TRAINING REQUIREMENT	217
WHEN TO SUBMIT A FULLY COMPLETED APPLICATION	218
<i>Initial Certification</i>	219
<i>Change in Ownership, Structure or Governance</i>	219
<i>Recertification</i>	224
<i>Designation as an Eligible Institution</i>	225
<i>Reinstatement</i>	225
SUBSTANTIVE CHANGES AND HOW TO REPORT THEM	225
<i>Notification of School Closure or Bankruptcy</i>	228
ADDING LOCATIONS OR PROGRAMS	229
<i>When a School May Make Program Eligibility Determination</i>	230
<i>Department Must Approve All Other Added Programs</i>	230
<i>Waivers</i>	230
<i>Changes in Accreditation</i>	231
SINGLE IDENTIFIER INITIATIVE	221
QUALITY ASSURANCE PROGRAM	232
EXPERIMENTAL SITES INITIATIVE	233

Program Integrity 237

STATE AND ACCREDITING AGENCY ROLES	237
<i>State Role</i>	237
<i>Accrediting Agency Role</i>	238
THE DEPARTMENT'S ROLE	239
<i>Your Comments Are Important</i>	240
<i>Audit Requirements for Schools</i>	240
<i>Simultaneous Audit Submissions</i>	240
<i>Types of Audit Guidelines</i>	241
<i>Audit Submission Dates</i>	242
<i>Compliance Audit Submission Requirements</i>	243
<i>Financial Statements Audit Submission Requirements</i>	243
<i>Consolidated Statements</i>	244

<i>Audits for Foreign Schools</i>	244
<i>Audits for Third-Party Servicers</i>	244
<i>Having the Audit Performed</i>	245
<i>Submitting Audits</i>	246
<i>Access to Records</i>	246
PROGRAM REVIEWS	247
<i>Selection of Schools for Review</i>	247
<i>Written Report</i>	248
GUARANTY AGENCY REVIEWS	249
APPEALING AUDIT AND PROGRAM REVIEW DETERMINATIONS	249
REQUIREMENTS WHEN A SCHOOL CEASES TO BE AN ELIGIBLE INSTITUTION	250
<i>Loss of Accreditation</i>	251
<i>Exceptions</i>	251
REQUIREMENTS WHEN A SCHOOL'S SFA PARTICIPATION ENDS	251
VOLUNTARY WITHDRAWAL FROM SFA PARTICIPATION	251
INVOLUNTARY WITHDRAWAL FROM SFA PARTICIPATION	252
<i>When Participation Ends</i>	252
<i>Additional Closeout Procedures</i>	253
CASE MANAGEMENT	254
<i>Possible Actions</i>	254
CORRECTIVE ACTIONS AND SANCTIONS	255
<i>Administrative Subpoena Authority</i>	255
<i>Sanctions</i>	255
<i>Actions Due to Program Violations or Misrepresentation</i>	256
<i>Emergency Action</i>	256
<i>Fine</i>	256
<i>Limitation</i>	257
<i>Suspension</i>	257
<i>Termination</i>	257
<i>Corrective Action</i>	257
<i>Possibility of Reinstatement</i>	257
<i>Criminal Penalties</i>	258
<i>List of Case Managements Teams</i>	259

Distance Education 261

DISTANCE EDUCATION DEMONSTRATION PROGRAMS	262
<i>Purpose of the Demonstration Program</i>	262
<i>Waivers of SFA Program Requirements</i>	262
<i>Eligible Applicants</i>	262
<i>Applying to Participate</i>	263
<i>Selection of Participants</i>	263
<i>Evaluation of the Demonstration Program</i>	263
<i>Oversight</i>	264
<i>Notification to the Public and Congress</i>	264
"DEAR COLLEAGUE" LETTER GEN-98-10	264
<i>Definitions</i>	265
<i>Institutional Eligibility</i>	266
<i>Student Eligibility</i>	266
<i>Cost of attendance</i>	267
<i>Federal Pell Grant Program and Federal Supplemental Educational Opportunity Grant (FSEOG)</i>	
<i>Program Disbursement</i>	267
<i>Miscellaneous Questions and Answers</i>	268

