

Institutional Eligibility

CHAPTER 1

This chapter discusses the three types of institutions that are eligible to participate in the Federal Student Aid (FSA) programs. If circumstances change and a participating school no longer qualifies as an eligible institution, it must notify the Department of Education (the Department; see Chapter 5) and carry out the closeout procedures described in Chapter 8.

Schools must apply to and receive approval from the Department to be eligible to participate in the FSA programs before they can be certified for participation. Some schools apply only for designation as an eligible institution—they do not seek to participate—so their students may receive deferments on FSA program loans or be eligible for the American Opportunity and Lifetime Learning tax credits or other non-FSA programs that require schools to be FSA-eligible. The same application is used to apply for both eligibility and certification for participation (see Chapter 2).

To assess your school's compliance with this chapter's provisions, see the institutional eligibility module on the [FSA Assessments website](#).

TYPE AND CONTROL

The three types of eligible institutions

The law defines three kinds of eligible institutions—*institutions of higher education*, *proprietary institutions of higher education*, and *postsecondary vocational institutions*. Each type of school is eligible to participate in all the FSA programs, provided it offers the appropriate type of program. This section covers the key elements of the three definitions, giving special attention to those requirements that affect the definition of an eligible program.

Although the criteria for the three types of institutions differ, it is possible that an institution of higher education can also qualify as a postsecondary vocational institution by offering programs that are less than an academic year in length and lead to a certificate or other non-degree recognized credential.

Definitions of eligible institutions

34 CFR 600.4, 600.5, and 600.6

Type and Control of Eligible Institutions

<i>Institution of Higher Education</i>	<i>Proprietary Institution of Higher Education</i>	<i>Postsecondary Vocational Institution</i>
A public or private nonprofit educational institution located in a state	A private, for-profit educational institution located in a state	A public or private nonprofit educational institution located in a state
<p>The institution offers</p> <ol style="list-style-type: none"> (1) associate, bachelor’s, graduate, or professional degree programs; (2) a program of at least two years that is acceptable for full credit toward a bachelor’s degree; or (3) a training program of at least one academic year that leads to a certificate or other nondegree recognized credential and prepares students for gainful employment in a recognized occupation. 	<p>The institution must</p> <ol style="list-style-type: none"> (1) provide training for gainful employment in a recognized occupation or (2) have provided a program leading to a baccalaureate degree in liberal arts continuously since 1/1/09 (with continuous regional accreditation since 10/1/07 or earlier). <p>Programs offered must meet the criteria of at least one category below:</p> <ol style="list-style-type: none"> (1) They are at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. They may admit students without an associate degree or equivalent. (2) They are at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. They must be a graduate/professional program or must admit only students with an associate degree or equivalent. (3) They are at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. They must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. Note: These programs are eligible only for the Direct Loan program. 	<p>The institution must provide training for gainful employment in a recognized occupation.</p> <p>Programs offered must meet the criteria of at least one category below:</p> <ol style="list-style-type: none"> (1) They are at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. They may admit students without an associate degree or equivalent. (2) They are at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program or must admit only students with an associate degree or equivalent. (3) They are at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. Must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. Note: These programs are eligible only for the Direct Loan program.

Any school may act as a postsecondary vocational institution to offer GE programs less than one academic year in length. Also, all three institutional types may provide a comprehensive transition and postsecondary program for individuals with intellectual disabilities.

“Two-Year Rule” (applicable to proprietary and postsecondary vocational institutions): Legally authorized to provide (and continuously have been providing) the same postsecondary instruction for at least two consecutive years.

Institutional control

The control of an institution distinguishes whether it is public or private and nonprofit or for-profit. By definition, an institution of higher education or a postsecondary vocational institution can be either public or private but is always nonprofit. A proprietary institution of higher education is always a private, for-profit institution.

BASIC CRITERIA FOR ELIGIBLE INSTITUTIONS

To be eligible an institution must

- ◆ be legally authorized by a state to provide a postsecondary education program in that state,
- ◆ be accredited by a nationally recognized accrediting agency or have met the alternative requirements, if applicable, and
- ◆ admit as regular students only individuals with a high school diploma or its recognized equivalent or individuals beyond the age of compulsory school attendance in the state where the institution is located.

These requirements are discussed in the following sections.

Legal authorization by a state

Generally, an eligible institution must be located in a state. A school is physically located in a state if it has a campus or instructional site in that state. There are certain limitations and exceptions:

- ◆ Institutions of higher education in the Federated States of Micronesia and the Republic of the Marshall Islands are eligible for purposes of the Federal Pell Grant Program.
- ◆ Institutions of higher education in the Republic of Palau are eligible for purposes of the Federal Pell Grant, FSEOG, and FWS programs.
- ◆ Foreign schools may participate in the Direct Loan Program, subject to the rules of Subpart E of 34 CFR Part 600.

There are two basic requirements for an institution to be considered legally authorized by a state for the purpose of Title IV program eligibility: (1) the state must authorize the institution by name to operate postsecondary educational programs; and (2) the state must have a process to review and act on complaints concerning the institution, including enforcing applicable state laws. The following are exempt from both of these requirements:

- ◆ schools authorized by name by the federal government to offer educational programs beyond secondary education, and

State authorization

34 CFR 600.9

- ♦ schools authorized by name by an Indian tribe [as defined in 25 USC 1801(a)(2)] to offer educational programs beyond secondary education, provided they are located on tribal lands and the tribal government has a process to review and appropriately act on complaints concerning the schools and enforces applicable tribal requirements or laws. [Note that 34 CFR 600.9(a)(2)(ii) incorrectly cites 25 USC 1802(2); the correct citation is, as given above, 25 USC 1801(a)(2).]

Religious institution exemption

34 CFR 600.9(b)

Religious institutions must comply with (2) but are exempt from (1) above—i.e., they are already considered to be legally authorized to operate postsecondary educational programs—if they are exempt from state authorization as religious institutions under the state constitution or by state law.

Authorization to operate postsecondary educational programs

A school can be established by name as an educational institution through a state charter, statute, constitutional provision, or other action by an appropriate state entity. See DCL [GEN-13-20](#) for an explication of “other action.” The school must be authorized to operate educational programs beyond the secondary level, including programs leading to a degree or certificate. In addition, the institution must comply with any applicable state approval or licensure requirement, although the state may exempt the school from that approval or requirement based on the school being in operation for at least 20 years or on its accreditation by one or more accrediting agencies recognized by the Department.

If a school was not established by name as an educational institution but was established by a state on the basis of an authorization to conduct business or to operate as a nonprofit charitable organization, it must show that the state took an active role in approving or licensing it to offer programs beyond secondary education, including programs leading to a degree or certificate. Again, see DCL [GEN-13-20](#) for more. Such a school can’t be exempted from state approval or licensure requirements based on accreditation, years in operation, or a comparable exemption.

Definitions

Nonprofit institution—A school that is

- owned and operated by one or more nonprofit corporations or associations whose net earnings do not benefit any private shareholder or individual,
- legally authorized to operate as a nonprofit organization by each state in which it is physically located, and
- determined by the Internal Revenue Service (IRS) to be eligible for tax-deductible contributions in accordance with the IRS Code [26 U.S.C. 501(c)(3)].

State—One of the 50 states, American Samoa, Puerto Rico, the District of Columbia, Guam, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

34 CFR 600.2.

How different types of schools meet state authorization requirements		
Legal Entity	Entity Description	Approval or Licensure Process
Educational Institution	A public, private nonprofit, or for-profit institution established by name through a charter, statute, articles of incorporation, or other action issued by an appropriate state entity as an educational institution authorized to operate educational programs beyond secondary education, including programs leading to a degree or certificate.	The institution must comply with any applicable state approval or licensure process and be approved or licensed by name. It may be exempted from such requirement based on its accreditation or being in operation at least 20 years.
Business	A for-profit entity established by the state on the basis of an authorization or license to conduct commerce or provide services.	The state must have a state approval or licensure process, and the institution must comply with that process and be approved or licensed by name to offer postsecondary education. An institution in this category may not be exempted from state approval or licensure based on accreditation, years in operation, or a comparable exemption.
Charitable Organizations	A nonprofit entity established by the state on the basis of an authorization or license for the public interest or common good.	
Notes: The chart does not apply to federal, tribal, and religious institutions, which are exempt from these requirements, or to distance education programs offered out of state. A state must have a process to review and address complaints directly or through referrals; this applies to all institutions except tribal and federal institutions. For tribal institutions, the tribal government must have a process to review and appropriately act on complaints concerning them and to enforce applicable tribal requirements or laws.		

A school must have documentation that it has the authority to operate in a state at the time of its certification to participate in the FSA programs. For more information on applying for participation in the FSA programs, see the *New School Guide*. Existing Title IV schools should ensure that they are currently in compliance with the regulations, but they are not required to immediately update their Eligibility and Certification Approval Report (ECAR). Instead, they can include the information showing their state authorization when they next submit their application for approval to participate in the FSA programs. For questions about documenting state legal authorization, schools should contact their participation division, information for which is at <https://eligcert.ed.gov/>.

If a school offers coursework through distance education or correspondence courses to students in a state in which the school is not physically located or is otherwise subject to that state's jurisdiction, the school must meet any of the state's requirements for it to offer postsecondary distance education or correspondence courses there. A school is considered to meet state authorization requirements for distance education or correspondence courses if the state participates in an authorization reciprocity agreement and the school is covered by the agreement (subject to any limitations in the agreement and to any additional requirements the state has that do not relate to authorization of distance education).

A school must, upon request, provide documentation to the Department that it has met a state's authorization requirements, including by coverage under a reciprocity agreement.

State authorization and distance education

34 CFR 600.9(c)(1)(i) and (ii)

State complaint process

The state must have a process to review and act on complaints (for example, about fraud or false advertising) concerning a school, which must provide the contact information for filing those complaints to enrolled and prospective students. Complaints can be handled by the state attorney general’s office or a state agency as long as that entity can review, investigate, and resolve complaints against the school. There may be different complaint processes for different types of schools. Whatever entity handles complaints, the state must have the final authority for the process. See [DCL GEN-14-04](#) for more information.

Previously states had to have a process for reviewing and acting on complaints by its students against out-of-state schools that were providing them distance education. With the state authorization regulations that became effective July 1, 2020, that is no longer a requirement. A school is required to document that a state-based complaint process exists in every state that it has a physical location, but it is not required to document that a state has a complaint process where the school does not have a physical location but where it does have students enrolled in distance education and correspondence courses. The complaint process in the school’s home state is expected to receive and act upon complaints from those students. Note that 34 CFR 668.43(b) requires an institution to provide its students or prospective students with contact information for filing complaints with its state approval or licensing agency and any other state official or agency that would appropriately handle a student’s complaint.

Determining student location

34 CFR 600.9(c)(2)

Determining student location

A school must determine what state its students are located in so that it can ensure that it complies with each state’s authorization requirements. This determination must accord with the school’s policies and procedures and must be applied consistently to all students. The school must determine each student’s state when she initially enrolls in an educational program and, if applicable, upon formal receipt of information from the student, according to school procedures, that her location has changed to another state. The school must document the basis for its determination of a student’s location and must, upon request, provide that documentation to the Department.

State authorization reciprocity agreement definition—An agreement between two or more states that authorizes an institution located and legally authorized in a state covered by the agreement to provide postsecondary education through distance education or correspondence courses to students located in other states covered by the agreement and cannot prohibit any member state of the agreement from enforcing its own general-purpose state laws and regulations outside of the state authorization of distance education.

ACCREDITATION

Generally, a school must be accredited or preaccredited by a nationally recognized accrediting agency or association (both referred to here as agencies) to be eligible.

Except as provided here, a school must be accredited by an agency that has the authority to cover all of the institution's programs. An agency such as this is referred to as the school's *primary accrediting agency*. A school can have only one primary accreditor.

A school may also be accredited by one or more programmatic accrediting agencies. A *programmatic accrediting agency* is one that accredits only individual educational programs that prepare students for entry into a profession, occupation, or vocation.

If a school is seeking to change primary accreditors, it must first provide the Department and the agencies all materials documenting the reasons for the change. You can find information on accreditation changes in *Chapter 5*.

Alternatives to regular accreditation

The law provides two statutory alternatives to accreditation by a recognized accrediting agency. First, a public or private nonprofit institution may be preaccredited by an agency or association that has been approved by the Department to grant such preaccreditation. Second, public postsecondary vocational educational institutions may be eligible for FSA funds if accredited by a state agency that the Department determines to be a reliable authority.

Primary accreditor

The primary accreditor typically is an accrediting agency whose scope is institution-wide rather than only programmatic. A participating institution must tell the Department which accrediting agency it wants to serve as its primary accrediting agency for FSA eligibility. If a school offers only programs of a singular nature, the school's primary accreditor may be an agency that accredits only those specific educational programs.

Dual accreditation

If a school is accredited by two agencies at the same time, the school must designate which agency's accreditation will be used in determining institutional eligibility for FSA funds and must inform the Department via the E-App. Further, the school must provide to the Department and to both agencies all materials documenting the reasons for dual accreditation before the school adds the additional accreditation. See *Chapter 5* for more on changes in accreditation and loss of eligibility.

Alternatives to accreditation

Institutions of Higher Education

34 CFR 600.4(a)(5)(ii)

Postsecondary Vocational Institutions

34 CFR 600.6(a)(5)(ii)

List of accrediting agencies

The Department periodically publishes in the *Federal Register* a list of nationally recognized accrediting bodies based on criteria in 34 CFR Part 602. The [list of accrediting agencies](#) recognized for FSA purposes is on the Department’s website. Agencies recognized for their preaccreditation categories are in Section 7. Information about national recognition of state approval agencies is in Section 11.

Admissions standards

34 CFR 600.4(a)(2), 600.5(a)(3), 600.6(a)(2)

ADMISSIONS STANDARDS

An *eligible institution* may admit as regular students only persons who have a high school diploma or its recognized equivalent, are beyond the age of compulsory school attendance in the state in which the school is located, or are dually enrolled in the college and a secondary school. See “Limitation on students admitted without a high school diploma or equivalent” in *Chapter 4*.

Dual enrollment in high school and college

20 USC 1001(b)(2)(B), 1002(b)(2)(B) and (c)(2)(B)

An *eligible student* must have a high school diploma or its recognized equivalent or be beyond the age of compulsory attendance and meet the criteria for homeschooled students. A student dually enrolled in high school and college is **not eligible** for FSA funds. See *Volume 1, Chapter 1*.

Definitions

Nationally recognized accrediting agency—An agency or association the Department has recognized to accredit or preaccredit a category of institution, school, or educational program according to 34 CFR Parts 602 and 603.

Preaccredited—A status granted by a nationally recognized accrediting agency or association to a public or private nonprofit institution that is progressing toward accreditation within a reasonable period of time.

Institutions of higher education: 34 CFR 600.4(a)(5)(ii)

Postsecondary vocational institutions: 34 CFR 600.6(a)(5)(i)

Regular student—A person who is enrolled or accepted for enrollment in an eligible program to obtain a degree, certificate, or other recognized educational credential. If a person is not yet beyond the age of compulsory school attendance in the state where the college is physically located, it may only enroll her as a regular student if she has a high school diploma or its equivalent or is dually enrolled in high school and college. 34 CFR 600.2

Branch campus—A campus that is geographically apart from and independent of the school’s main campus. It is considered to be independent of the main campus if it

- is permanent in nature;
- offers educational programs leading to a degree, certificate, or other recognized credential;
- has its own faculty and administrative or supervisory organization; and
- has its own budgetary and hiring authority.

Branch campus: 34 CFR 600.2 and 600.8

Additional location: 34 CFR 600.32

High school diploma

A high school diploma is a document recognized by the state in which the high school is located. Unless required by its accrediting or state licensing agency, the college is not required to keep a copy of a student's high school diploma or recognized equivalent of a high school diploma (see below). Rather, the college may rely on the student's certification (including that on the FAFSA) that he or she has received the credential and a copy of the certification must be kept on file. This certification need not be a separate document. It may be collected on the college's admissions application. The college may also require the student to provide supporting documentation.

Recognized equivalent of a high school diploma

The following are the equivalent of a high school diploma:

- ◆ A GED certificate
- ◆ A state certificate awarded after passing an authorized test and that the state recognizes as equivalent to a high school diploma. This includes evidence of a passing score on tests recognized by the state and similar to the GED, such as the High School Equivalency Test or HiSET and the Test Assessing Secondary Completion or TASC
- ◆ An academic transcript showing that the student has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree (including a previously earned bachelor's degree)
- ◆ For a student seeking enrollment in a program of at least the associate degree level, documentation showing that he excelled academically in high school and has met the formalized written admissions policies of the college

Checking the validity of high school completion

As stated in 34 CFR 668.16(p), a college must have a procedure to evaluate the validity of a student's high school completion if the college or the Department has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education. This is discussed in detail in *Volume 1, Chapter 1*.

A school is in compliance with the regulation if its procedure includes (1) receiving documentation from the secondary school that confirms the validity of the student's diploma and (2) confirming with or receiving documentation from the relevant department or agency in the state in which the high school is located that it is recognized as a provider of a secondary school education. Colleges can also comply with the regulation via other methods. [See the July 23, 2019, announcement.](#)

Homeschooled students and compulsory school attendance

The Department considers a homeschooled student to be beyond the age of compulsory school attendance if the state in which the college is located does not consider him truant once he has completed homeschooling.

For instance, if your state requires children to attend school until age 17, you may admit as a regular student a child who completes her secondary homeschooling curriculum at age 16 if your state would not consider her truant and would not require her to go to high school or continue homeschooling until age 17.

You may rely on a homeschooled student’s self-certification that he completed secondary school in a homeschool setting, as discussed in *Volume 1, Chapter 1*, under “Academic Qualifications.”

Career pathway programs

Students enrolled in an eligible career pathway program who are not high school graduates and don’t have a diploma equivalent may be eligible to receive Title IV aid if they pass an independently administered, ED-approved ability-to-benefit test or complete at least 6 credit hours or 225 clock hours that apply to a degree or certificate offered by the school or enroll in a State process that has been approved by the Department. See DCL [GEN-16-09](#) for more information, including a list of Q’s and A’s about career pathway programs.

Preparatory programs for students without a high school diploma or equivalent

A school that admits students without a high school diploma or its recognized equivalent (except homeschooled students) must make available to them a program that has proven successful in helping students obtain the equivalent of a high school diploma.

For example, such a program might assist a student in obtaining a GED certificate or the state certificate mentioned earlier. It could be a preparatory program conducted by state and local secondary school authorities, or any other program for which the school has documentation that statistically demonstrates success. The school must provide information about the availability of the program to interested students.

The school does not have to provide the program or pay for its cost. The program must be offered at a place that is convenient for students, and the school must take reasonable steps to ensure that they have access to it, such as coordinating the timing of school programs and the preparatory program.

The law does not require a school to verify that a student is enrolled in a preparatory program or to monitor his progress in it. A student who

does not have a high school diploma or its recognized equivalent is not required by law to enroll in such a program, but the school may make this an admission requirement.

A student may not receive FSA funds for the program, and a school cannot include the cost of the program in a student's cost of attendance.

“TWO-YEAR” RULE FOR NEW PROPRIETARY OR VOCATIONAL SCHOOLS

To be eligible as a proprietary institution or a postsecondary vocational institution, a school must be legally authorized to give (and have continuously been giving) the same postsecondary instruction for at least two consecutive years prior to its application. The educational program(s) offered must remain substantially the same in length and subject matter except for changes made because of new technology or requirements of other federal agencies. A school subject to the two-year rule may not award FSA funds to a student in a program that is not included in the school's approval documents.

If a school is 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 institution's eligibility. An exception would be considered if the school demonstrates that the program has been legally authorized and continuously provided for at least two years prior to the date of the request.

A branch campus of an eligible proprietary institution or postsecondary vocational institution seeking status as a main campus or freestanding institution is subject to the two-year rule. It must be designated as a branch campus for two years after certification as such by the Department before it can seek certification as a main or freestanding school.

An additional location must obtain approval from the Department to become a branch campus. A branch campus then must satisfy the two-year rule before it may be considered for status as a freestanding institution. Time as an additional location of an eligible proprietary institution or postsecondary vocational institution does not count toward the two years.

LOSING ELIGIBILITY

Limitations

An otherwise eligible institution becomes ineligible if it violates, among other requirements,

- ◆ the 50% limit on students without a high school diploma or equivalent (for schools that don't offer a 4-year bachelor's de-

Two-year rule

34 CFR 600.5(a)(7) and (b), 600.6(a)(6) and (b)

Conditions of institutional ineligibility

34 CFR 600.7

- gree program or a 2-year associate degree program),
- ◆ the incarcerated student limitation (25%), or
- ◆ the correspondence course limitation (50%) or correspondence student limitation (50%).

The school must demonstrate compliance with these limitations, and its calculations must be attested to by the independent auditor. Under certain circumstances, waivers are available for each limitation. *Chapter 4* explains the calculations and waivers and how the school must notify the Department of a failure to meet any of these requirements. See also 34 CFR 600.7(h).

Bankruptcy or crimes involving FSA programs

A school is not eligible if it files for relief in bankruptcy or has entered against it an order for bankruptcy. The school is also ineligible if either of these circumstances apply to an affiliate of the school that has the power, by contract or ownership interest, to direct or cause the direction of the management of policies of the school.

A school also loses eligibility if it, its owner, or its executive officer has

- ◆ pled guilty or *nolo contendere* to, or is found guilty of, a crime involving the acquisition, use, or expenditure of FSA program funds; or
- ◆ been judicially determined to have committed fraud involving FSA program funds.

If a school becomes ineligible for any of these reasons, it must notify the Department of the change within 10 days. A school that becomes ineligible because of one of these factors must immediately stop awarding FSA funds and must follow the requirements for a school that has lost its FSA participation (see *Chapter 8*). The loss of eligibility is effective as of the date of the bankruptcy or the date the school or individual pleads guilty to, or is found responsible for, the crime, as applicable. A loss of eligibility for these two reasons is permanent—the school’s eligibility cannot be reinstated.

See *Chapter 3* for information about the prohibition on schools having as principals—or contracting with other organizations that employ—individuals who have been involved in crimes pertaining to the use of government funds generally.

TEACH Grant Program

34 CFR Part 686

Definition of TEACH Grant-eligible institution

34 CFR 686.2(d)

PARTICIPATING IN THE TEACH GRANT PROGRAM

Eligibility for the Teacher Education Assistance for College and Higher Education (TEACH) Grant program is not automatically extended to an FSA-eligible postsecondary school. A school qualifies as a “TEACH Grant-eligible institution” if it offers a high-quality teacher preparation program at either the baccalaureate or master’s level that

provides supervision and support services to teachers (or assists in the provision of such services). The teacher preparation program must also be accredited by a specialized accrediting agency recognized by the Department for the accreditation of professional teacher education programs or be approved by a state and meet certain other requirements.

If a school does not have a teacher preparation program, it can qualify as a TEACH Grants-eligible institution if it

- ◆ provides one or more 2-year programs of study that are acceptable for full credit to either a baccalaureate teacher preparation degree program or a baccalaureate degree program in a high-need field at another TEACH-eligible school with which it has an agreement;
- ◆ offers a baccalaureate degree that, in combination with other training or experience, will prepare a student to teach in a high-need field and has an agreement with another institution that offers a teacher preparation program or a post-baccalaureate program that prepares students to teach; or
- ◆ offers a postbaccalaureate program.

Accreditation of teacher preparation programs

At present there are no agencies for the accreditation of high-quality teacher preparation programs that are recognized by the Department. Thus, a school that offers a high-quality teacher preparation program at the baccalaureate or master's degree level can only qualify as a TEACH Grant-eligible institution if the teacher preparation program is approved by a state, includes a minimum of 10 weeks of full-time pre-clinical experience, or its equivalent, and provides either pedagogical coursework or assistance in the provision of such coursework. See DCL [GEN-08-07](#).

APPLYING AS AN ELIGIBLE NONPARTICIPATING SCHOOL

Some schools choose to establish their eligibility for FSA programs but elect not to participate in them because designation as an eligible institution qualifies a school or its students to take advantage of non-FSA programs or benefits, such as the American Opportunity and Lifetime Learning tax credits. In addition, only students attending eligible institutions qualify for in-school deferments of payments on their federal education loans.

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

The Department will contact the school, generally within 90 days of receiving the application, if it has additional questions. If it approves the school's application, it will send an electronic notice to the president and financial aid officer stating that the school is eligible and that its approval letter and ECAR must be printed and maintained. If the Department does not approve the school's application, it will tell the school why.

WITHDRAWAL RATES

Students are considered to have withdrawn if they officially withdraw, unofficially drop out, are expelled from the school, or receive a 100% refund of their tuition and fees. Those who withdraw from one or more courses or programs but do not withdraw entirely from the school (e.g., the students reduced their credit hours from 12 to 6) do not meet the definition of withdrawn. Instead, this action is considered a change in enrollment status.

New schools (those seeking to participate in an FSA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% during the last completed award year.

When calculating the withdrawal rate, the school must include all regular, enrolled students. For the purpose of withdrawal rates, students are considered enrolled when they complete the school's registration requirements. 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). 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 begun attending classes.

Program Participation Agreement

HEA Sec. 487

34 CFR 668.14

20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099a-3, 1099c, and 1141

THE PROGRAM PARTICIPATION AGREEMENT

To be Title IV-eligible, schools must have a current program participation agreement (PPA), signed by their president, chief executive officer, or chancellor and an authorized representative of the Secretary of Education. Note that the PPA and the E-App (see *Chapter 5*) are not the same thing. The E-App is used to apply to participate in the Title IV programs initially (which results in a PPA) and to update a current approval; it's also used for recertification, reinstatement, change in ownership, and designation as an eligible nonparticipating institution.

Purpose and scope of the PPA

With 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 such as the effective date of a school's approval, the date when the approval expires, and the date by which the school must reapply

for participation; the PPA also includes the FSA programs in which the school is eligible to participate. The FSA programs are:

- Federal Pell Grant
- Iraq and Afghanistan Service Grant (A school that is certified for Pell Grant purposes is considered to be certified for the Iraq and Afghanistan Service Grant program.)
- TEACH Grant
- Federal Supplemental Educational Opportunity Grant
- Federal Work-Study
- Federal Direct Loan Program

Beginning to disburse funds when first signing the PPA

A school may make Pell and TEACH Grant disbursements to students for the payment period in which the PPA is signed by the Secretary. Schools receiving initial certification can participate in the Campus-Based programs in the next award year that funds become available (provided the Fiscal Operations Report and Application to Participate is completed by the deadline for that year). Direct Loan disbursements may begin in the loan period that the PPA is signed.

Expiration or termination of the agreement

Either the school or the Department may terminate the PPA. The agreement automatically terminates if the school loses eligibility. The PPA also expires on the date that

- ◆ the school changes ownership that results in a change in control (see *Chapter 5*),
- ◆ the school closes or stops offering educational programs for a reason other than a normal vacation period or natural disaster that directly affects it or its students (see closure procedures in *Chapter 8*),
- ◆ the school ceases to meet the eligibility requirements (see *Chapter 4* and “Losing Eligibility” earlier in this chapter),
- ◆ the school’s period of participation expires, or
- ◆ its provisional certification is revoked (*Chapters 4, 5, and 8*).

A school’s PPA no longer covers an additional location as of the date on which that location ceases to be a part of the school.

Selected Provisions of the PPA

Most of the provisions of the Program Participation Agreement (PPA) are discussed in detail in *Volume 2* and other volumes of the *Federal Student Aid Handbook*. In this section, we highlight some of the general school requirements in the PPA that may not be as familiar to financial aid professionals.

Note that the PPA may list additional requirements that are school-specific; schools must carefully review all of the requirements listed on their PPA.

General terms and conditions

- The school certifies that it will comply with
 1. Title VI of the Civil Rights Act of 1964, as amended, barring discrimination on the basis of race, color, or national origin;
 2. Title IX of the Education Amendments of 1972, barring discrimination on the basis of sex;
 3. The Family Educational Rights and Privacy Act of 1974 (see *Chapter 7*);
 4. Sections 501 and 505(b)(2) of the Gramm-Leach-Bliley Act, on safeguarding information (see *Chapter 7*);
 5. Section 504 of the Rehabilitation Act of 1973, barring discrimination on the basis of physical handicap (34 CFR Part 104); and
 6. The Age Discrimination Act of 1975 (34 CFR Part 110).
- The school acknowledges that the Department, states, and accrediting agencies may share information about the school without limitation.
- The school must agree to submit any dispute involving an adverse action, such as the final denial, withdrawal, or termination of accreditation, to arbitration before initiating any other legal action.

General provisions

- The school 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.
- If the school is permitted to request FSA program funds under an advance payment method, the school will time its requests for funds to meet only the school's immediate FSA program needs (see *Volume 4, Chapter 2*).
- The school will not charge for processing or handling any application, form, or data used to determine a student's FSA eligibility (see *Chapter 3*).
- The school will establish administrative/fiscal procedures and reports that are necessary for the proper and efficient management of FSA funds, and it will provide timely information on its administrative capability and financial responsibility to the Department and to the appropriate state, guaranty, and accrediting agencies (see *Chapter 6*).
- 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 8*).
- 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 (see *Chapter 6*).
- If the school advertises job placement rates as a means of attracting students to enroll in the institution, the school will make available to prospective students (at or before the time that those students apply for enrollment) the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements and the relevant State licensing requirements of the State in which the institution is located for any job for which the course of instruction is designed to prepare such prospective students.
- The school cannot penalize in any way a student who is unable to pay school costs due to compliance with the FSA program requirements or due to a delay in an FSA loan disbursement caused by the school.
- The school must comply with the program integrity requirements established by the Department, state authorizing bodies, and accrediting agencies (see *Chapter 8*).
- The school is liable for all improperly administered funds received or returned under the FSA programs, including any funds administered by a third-party servicer (see *Chapter 3*).

Selected Provisions of the PPA, continued

- If the program offered by the school is preparing students for gainful employment in a recognized occupation, the school will
 1. demonstrate a reasonable relationship [as defined in 34 CFR 668.14(b)(26)(i)] between the length of the program and entry level requirements for the recognized occupation, and
 2. establish the need for the training for students to obtain employment in the recognized occupation.

Certifications

Three certifications are included in the PPA:

- Lobbying; Debarment, Suspension, and other responsibility matters; and Drug-Free Workplace Requirements (see *Chapter 6*).
- Drug Prevention Certification (see *Chapter 6*).
- Certification regarding Debarment, Suspension, Eligibility, and Voluntary Exclusion—lower-tier covered transactions.

Direct Loans

- The school will not charge any fees of any kind to student or parent borrowers for loan application, origination activities, or the provision and processing of any information needed to receive a Direct Loan.
- The note or evidence of obligation of the loan shall be the property of the Secretary.
- The school accepts responsibility and financial liability stemming from its failure to perform its functions under the Program Participation Agreement.

Additional requirements

In addition to the requirements listed on the PPA, a school must meet any requirements for participation in the General Provisions (34 CFR Part 668), as well as those specific to an individual FSA program:

- Federal Pell Grant Program—20 USC 1070a et seq., 34 CFR Part 690
- Federal Direct Student Loan Program—20 USC 1087a et seq., 34 CFR Part 685
- Federal Supplemental Educational Opportunity Grant Program—20 USC 1070b et seq., 34 CFR Part 676
- Federal Work-Study Program—42 USC 2751 et seq., 34 CFR Part 675

These requirements are discussed in the *Application and Verification Guide* and volumes 1–6 of this *Federal Student Aid Handbook*.

Experimental sites

HEA Sec. 487A(b)

EXPERIMENTAL SITES

The Experimental Sites Initiative permits statutory and regulatory flexibility for schools participating in the experiments. This gives the Department data for judging the effectiveness of certain laws and regulations and whether they should change. For example, the Dual Enrollment Experiment allows participating colleges to award Pell grants to students for their Title IV-eligible college program while still being enrolled in high school. [Visit the ESI website](#) for more information and to review a listing of other experiments.