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# Introduction to Volume 2

*This volume of the Federal Student Aid Handbook comprises topics pertaining to colleges' general obligations in administering the Title IV student aid programs: institutional and program eligibility, administrative requirements, audits, record keeping, program reviews, and providing information to the public are all explained.*

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Throughout the Handbook we use “college,” “school,” and “institution” interchangeably unless some more specific use is given. Similarly, “student,” “applicant,” and “aid recipient” are synonyms. “Parents” in this volume refers to the parents of dependent students, and “you” refers to the primary audience of the Handbook: financial aid administrators at colleges. “We” indicates the United States Department of Education (Department, ED), and “federal student aid” and “Title IV aid” are synonymous terms for the financial aid offered by the Department.

We appreciate any comments that you have regarding the Federal Student Aid Handbook. We revise and clarify the text in response to questions and feedback from the financial aid community, so please contact us at [fsaschoolspubs@ed.gov](mailto:fsaschoolspubs@ed.gov) to let us know how to improve the Handbook so that it is always clear and informative.

This introduction only summarizes the changes and clarifications presented in more detail in the chapters. For more complete guidance, refer to the text in the chapters cited and the pertinent regulations and statutes.

**Notes on Active Links:** At the top of each page you will find links to the Federal Student Aid Glossary and Appendices, the Code of Federal Regulation (CFR), and Dear Colleague Letters (DCL).

[Glossary](#) [CFR](#) [DCL](#)

## NOTEWORTHY CHANGES

**Important Note:** This volume does not contain guidance on the special provisions pertaining to the Coronavirus pandemic. For that information, schools should refer to the Department's [COVID-19 Resources for Schools, Students, and Families website](#).

Throughout Volume 2, we updated links from the Information For Financial Aid Professionals (IFAP) website to the new [Knowledge Center](#).

### **2021-2022 updates**

In Chapter 1 under the “Selected Provisions of the PPA” chart, we clarified that 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.

In Chapter 2 under the “Basic Types of Eligible Programs” section we provided clarification that an institution of higher education may also qualify as a postsecondary vocational institution by offering both degree programs and non-degree programs that are at least an academic year in duration and programs that are less than an academic year in length that lead to a certificate or other nondegree recognized credential.

In Chapter 2 under the “State requirements and program length” section, we included the new requirement that limits program length to 150 percent of minimum program length for the State in which the institution is located or 100 percent of the minimum program hours for licensure in an adjoining State.

In Chapter 2 under the “Direct assessment programs” section, we included the information from the September 2, 2020 Distance Education and Innovation Final rule that clarifies that direct assessment programs can be offered using a combination of credit hours and direct assessment (with credit hour equivalencies) or using a combination of clock hours and direct assessment (using clock hour equivalencies). A program is not required to be provided entirely using direct assessment. We also clarified that programs at foreign schools cannot be offered using direct assessment. In addition, we clarified that the regulations allow schools to offer remedial, preparatory, and postbaccalaureate coursework through direct assessment if the institution has already been approved to offer an eligible direct assessment program.

We clarified the process for approval of Direct Assessment programs including a new provision that following the approval of the institution’s direct assessment program by the Department, additional direct assessment programs at an equivalent or lower academic level may be determined to be eligible without further approvals from the Department. However, these programs must be reported to the Department within 10 days of the change. Approval is required when the institution offers a direct assessment program at different level of offering than what was previously approved.

We also added a new definition of “academic engagement” and

provided a revised definition of “clock hour.” We also made note that there is an updated definition of “week of instructional time” in the academic year regulations at 34 CFR 668.3(b). Volume 3, Chapter 1 contains more information about this updated definition.

In Chapter 2 we added information about “Limited Access Programs” and whether students enrolled in these types of programs are considered regular students enrolled in an eligible program.

In Chapter 2 under the “Contractual Agreement” section, we clarified that under the new Distance Education and Innovation regulations requirements for contractual agreements, an ineligible school can in general provide up to 25% of the educational program without explicit approval from the home school’s accrediting agency. However, if the home school has been placed on probation or equivalent status, has been subject to negative action by the agency over the prior three academic years, or is under a provisional certification, as provided in 34 CFR 668.13, it must receive prior approval by the agency before entering into a written arrangement under 34 CFR 668.5.

We also clarified that the ineligible school may provide more than 25% but less than 50% of the program if the home school reports the agreement as a substantive change and receives prior approval from its accrediting agency in accordance with 34 CFR 602.22(a)(1)(ii)(J).

In addition, we clarified that some institutions entering contractual agreements may offer programs in which incoming students are expected to transfer in a minimum number or percentage of credits toward completion of the program. For purposes of determining whether the amount of a program offered by the ineligible organization exceeds the limitations in 34 CFR 668.5(c), the home school should exclude from the denominator of that calculation the amount of transfer credit that all students in the program are required to enter the program with.

In Chapter 2 under the “Distance Education” section, we clarified that schools wishing to offer any portion of a program via distance education should confirm that their institutional accrediting agency has distance education within its scope of recognition. Schools should work with their accrediting agency to determine the agency’s requirements for evaluating whether the school is capable of effective delivery of distance education programs.

In Chapter 2 under the “Distance Education” section, we added definitions for “instructor” and “substantive interaction.” We also added the definition of “Subscription-based program” and included the reporting requirements for this type of program. We also added the definition of “clock-hour” as it pertains to distance education.

In Chapter 2 under the “Clock-hour to credit-hour conversions in determining program eligibility” section we updated the new

requirements that are effective July 1, 2021. We clarified the conditions in which the conversion formula must be used. Further, we reminded schools of the new requirement for determining the number of credit hours in that educational program as follows:

- a semester hour must include at least 30 clock hours of instruction,
- a trimester hour must include at least 30 clock hours of instruction, and
- a quarter hour must include at least 20 clock hours of instruction.

In Chapter 2 under the “State requirements and clock-hour to credit-hour conversions” we included the new requirement that if a state requires that a program that prepares students for a recognized occupation be composed of a minimum number of hours of training and a school offers a GE program that prepares a student for that occupation, the number of hours in the program cannot exceed the *greater* of 150% of:

- the minimum number of clock hours required for training in the recognized occupation for which the program prepares the student, as established by the State in which the school is located; or
- the minimum number of clock hours required for training in the recognized occupation for which the program prepares the student established in an adjacent State (if the school can demonstrate that its program meets the requirements in the other state).

In Chapter 2 under the “Out-of-class student work” section, we provided the updated requirement that if a school provides a credit-hour non-degree program that is subject to the clock-hour to credit-hour conversion, the school is no longer permitted to use out-of-class hours in the conversion calculation.

In Chapter 2 under the “Using the formula for conversion” section, we updated the example based on the new requirements that are effective on July 1, 2021. We also clarified that if the school uses decimals, it is not required to round down and may use the decimal result of the conversion regardless of how it awards credits.

In Chapter 3 under the “Incentive Compensation Prohibition” section, we added a link to a [November 27, 2015 Federal Register notice \(FRN\)](#) that provided clarification of regulations related to incentive compensation.

In Chapter 3 under the “Basic elements of an SAP policy” section, we clarified that subscription-based programs follow general SAP requirements associated with term-based programs, except that an in-

stitution is not required to perform a quantitative/pace measurement for students in such programs.

In Chapter 4 under the “FSA Audit Requirements for Schools” section, we clarified that the Office of Inspector General has the authority to audit any program or entity that relates to the Department’s programs and operations or that receives funds from the Department, including colleges and universities that receive Title IV funds.

In Chapter 4 under the “FSA Compliance Audits” section, we added links to the [Compliance Supplement](#) and [Compliance Supplement Addendum \(COVID-19\)](#).

In Chapter 4 under the “Past performance of persons affiliated with a school” section, we modified the text to coincide with new regulatory requirements that a school is not deemed financially responsible if a person or entity who exercises substantial ownership or control over the school—or if any member or members of that person’s family alone or together—either owes a liability for an FSA program violation or exercises or has ever exercised substantial ownership or control over another school or a third party servicer that owes such a liability.

In Chapter 4 under the “Default Prevention Plan” section, we clarified the separate requirements for a Default Prevention Plan and a Default Management Plan. We also provided clarification that if a school is required to use a default management plan, under 34 CFR 668.14(b)(15) because it is participating in the William D. Ford Federal Direct Loan (Direct Loan) Program for the first time or it has undergone a change of ownership that results in a change in control, the school’s implementation of the nine activities outlined in the Sample Default Prevention and Management Plan provided in [DCL GEN-05-14](#) will satisfy that requirement. In addition to implementing the regulatory requirement, all schools are encouraged to consider adopting the measures described in this Default Prevention and Management Plan.

In Chapter 5 under the “Changes to Educational Programs” section, we provided clarification that Direct assessment programs that do not require the Department’s approval must be reported to the Department within 10 days of the change. Further, if the direct assessment program is considered a short-term program as defined under 34 CFR 600.10(c)(1)(iii), it must apply for approval of that program.

In Chapter 6 under the “Retention, placement and post-graduate study” section, we clarified that the retention rate for 4-year institutions is for full-time, first-time bachelor’s degree-seeking undergraduates. For all other institutions the retention rate is for first-time, full-time, certificate or degree-seeking undergraduates.

In Chapter 6 under the “Definitions Related to Crime Reporting” section, we added additional definitions to the chart based on the regulations 34 CFR 668.41(a) and 46(a).

In Chapter 6 under the “Annual student loan acknowledgement” section, we notified institutions that the annual student loan acknowledgement process will continue to be available on StudentAid.gov, but borrower completion of the annual student loan acknowledgement prior to disbursement will not be required for the 2021–22 Award Year.

See the [March 8, 2021 announcement](#) for more information.

In Chapter 6 under the “TEACH Grant counseling” section, we added a reference to the TEACH Grant counseling requirements at 34 CFR 686.32.

In Chapter 6 under the “Sanctions” section, we added reference for borrower defense claims applicable to loans first disbursed on or after July 1, 2017, but before July 1, 2020 as well as loans first disbursed on or after July 1, 2020.