

Chapter 1

Institutional Eligibility

This chapter discusses the three types of institutions that are eligible to participate in the *Title IV* 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 *Title IV* 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 *Title IV* program loans or be eligible for the [American Opportunity and Lifetime Learning tax credits](#) or other non-*Title IV* programs that require schools to be *Title IV*-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 of the *Title IV* 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 nondegree recognized credential.

Definitions of Eligible Institutions

[34 CFR 600.4](#)

[34 CFR 600.5](#)

[34 CFR 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 other 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
The institution offers	The institution must	The institution must provide training for gainful employment in a recognized

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.

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).

Programs offered must meet the criteria of at least one category below:

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.

occupation.

Programs offered must meet the criteria of at least one category below:

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. 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.

Any school may act as a postsecondary vocational institution to offer Gainful Employment (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 and ownership 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, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) programs.
- Foreign schools may participate in the Direct Loan Program, subject to the rules of [Subpart E of 34 CFR Part 600](#).

State Authorization

[34 CFR 600.9](#)

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
- 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 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.

Religious Institution Exemption

[34 CFR 600.9\(b\)](#)

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.

Nonprofit Institution

[34 CFR 600.2](#)

A domestic public or private institution or foreign institution as to which the Secretary determines that is:

- owned and operated by one or more nonprofit corporations or associations whose net earnings do not benefit any private entity or natural person
- legally authorized to operate as a nonprofit organization by each state or home country in which it is physically located
- 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)] or by a tax authority of the institution's home country recognized by the secretary, and
- if there is no recognized tax authority of the foreign institution's home country, the foreign institution demonstrates to the satisfaction of the Secretary that it is a nonprofit educational institution.

State

[34 CFR 600.2](#)

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.

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,	The institution must comply with any applicable state approval or licensure process and be

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.

approved or licensed by name. It may be exempted from such requirement based on its accreditation or being in operation at least 20 years.

For-profit	An entity that is incorporated or organized in a state for the purposes of conducting business in that state for profit.	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.
Nonprofit	An entity that is incorporated or organized in the state as a religious organization or 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 *Title IV* programs. For more information on applying for participation in the *Title IV* 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 *Title IV* programs. For questions about documenting state legal authorization, schools should [contact their participation division](#).

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

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 they initially enroll in an educational program and, if applicable, upon formal receipt of information from the student, according to school procedures, that their 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.

Determining Student Location

[34 CFR 600.9\(c\)\(2\)](#)

State Authorization Reciprocity Agreement Definition

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 pre-accredited 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. [§ 668.14\(b\)\(32\)\(i\)](#) requires all programs that prepare students for occupations requiring programmatic accreditation to meet those requirements.

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 Accreditation

Institutions of Higher Education

[34 CFR 600.4\(a\)\(5\)\(ii\)](#)

Postsecondary Vocational Institutions

[34 CFR 600.6\(a\)\(5\)\(ii\)](#)

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 pre-accredited by an agency or association that has been approved by the Department to grant such pre-accreditation. Second, public postsecondary vocational educational institutions may be eligible for *Title IV* 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 *Title IV* 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 *Title IV* 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.

List of Accrediting Agencies

The Department periodically publishes a list of nationally recognized accrediting bodies based on criteria in [34 CFR Part 602](#) in the *Federal Register*. The [list of accrediting agencies](#) recognized for *Title IV* purposes is on the [U.S. Department of Education website](#).

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.

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 *Title IV* funds. See *Volume 1*, of the *FSA Handbook, Chapter 1*.

Admissions Standards

[34 CFR 600.4\(a\)\(2\)](#)

[34 CFR 600.5\(a\)\(3\)](#)

[34 CFR 600.6\(a\)\(2\)](#)

Dual Enrollment in High School and College

20 USC 1001(b)(2)(B)

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

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](#).

Pre-Accredited

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\(a\)\(5\)\(i\)](#) Postsecondary vocational institutions: [34 CFR 600.6\(a\)\(5\)\(i\)](#)

Regular Student

[34 CFR 600.2](#)

[34 CFR 600.4\(a\)\(2\)](#)

A person who is enrolled or accepted for enrollment in an eligible program at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution. 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 them as a regular student if they have a high school diploma or its equivalent or is dually enrolled in high school and college.

Branch Campus

[34 CFR 600.2](#)

A campus that is geographically apart from and independent of the school's main campus and approved by the Department as a branch 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](#)

[34 CFR 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 they 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 they excelled academically in high school and 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 develop and follow adequate procedures 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* of the *FSA Handbook*.

The college must develop and follow adequate procedures to evaluate the validity of a student's high school diploma if it 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, consistent with the following requirements:

Obtaining documentation from the high school that confirms the validity of the high school diploma, including at least one

of the following:

- Transcripts;
- Written descriptions of course requirements; or
- Written and signed statements by principals or executive officers at the high school attesting to the rigor and quality of coursework at the high school.

If the high school is regulated or overseen by a State agency, Tribal agency, or Bureau of Indian Education, the college must confirm with, or receive documentation from that agency that the high school is recognized or meets requirements established by that agency.

If the Department has published a list of high schools that issue invalid high school diplomas, the college must confirm that the high school does not appear on that list.

A high school diploma is not valid if it:

- Did not meet the applicable requirements established by the appropriate State agency, Tribal agency, or Bureau of Indian Education in the State where the high school is located;
- Has been determined to be invalid by the Department, the appropriate State agency in the State where the high school was located, or through a court proceeding; or
- Was obtained from an entity that requires little or no secondary instruction or coursework to obtain a high school diploma, including through a test that does not meet the requirements for a recognized equivalent of a high school diploma under [34 CFR 600.2](#)

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 them truant once they have 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 their secondary homeschooling curriculum at age 16 if your state would not consider them truant and would not require them 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."

Ability To Benefit - Eligible Career Pathway Programs (ATB ECPPs)

Effective July 1, 2024, the regulations at [34 CFR 668.2](#) added a new definition of an eligible career pathway program (ECCP). An ECCP is defined as a program that combines rigorous and high-quality education, training, and other services that:

- Align with the skill needs of industries in the economy of the state or regional economy involved;
- Prepare an individual to be successful in any of a full range of secondary or postsecondary education options, including apprenticeships registered under the *Act of August 16, 1937* (commonly known as the "*National Apprenticeship Act*"; 50 Stat. 664, chapter 663; [29 U.S.C. 50 et seq.](#));
- Include counseling to support an individual in achieving the individual's education and career goals;
- Include, as appropriate, education offered concurrently with and in the same context as workforce preparation activities and training for a specific occupation or occupational cluster;
- Organize education, training, and other services to meet the particular needs of an individual in a manner that accelerates the educational and career advancement of the individual to the extent practicable;
- Enable an individual to attain a secondary school diploma or its recognized equivalent, and at least one recognized postsecondary credential; and
- Help an individual enter or advance within a specific occupation or occupational cluster.

Students enrolled in an eligible Ability to Benefit (ATB) 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 fulfill one of the following ATB alternatives:

- pass an independently administered, ATB test approved by the Department,
- complete at least six credit hours or 225 clock hours that apply to a degree or certificate offered by the school, or
- enroll through a state process that has been approved by the Department. [34 CFR 668.156]

Institutions relying on the ATB ECPP alternatives to establish student eligibility for *Title IV* funds must be able to document that each ATB ECPP offered by the institution meets the eligibility requirements detailed in the cited regulation. That documentation must be provided to the Department when obtaining initial approval for the ATB ECPP or when requested by the Department.

Institutions Offering ATB ECPPs Prior to July 1, 2024

Institutions that offered one or more ATB ECPPs prior to July 1, 2024, must apply to the Department to have one of its ECPPs certified as eligible for *Title IV* purposes by the earlier of:

1. The submission of any update the institution makes to the Electronic Eligibility Application (E-App) on or after January 1, 2025; or
2. The submission of the institution's recertification application on or after January 1, 2025.

At that time, institutions will need to upload documentation using the E-App to demonstrate that one of its ECPPs meets the eligibility requirements. The institution will also be expected to provide a list of all other ATB ECPPs and certify that they meet the regulatory requirements. The Department reserves the right to request documentation for other programs if circumstances warrant. If the Department determines that the ECPPs don't meet the regulatory requirements, students enrolling in the programs may not use the ATB alternatives to establish *Title IV* eligibility. Students already enrolled under the ATB ECPP alternatives will remain eligible for *Title IV* funding.

Institutions That Have Not Offered an ATB ECPP Prior to July 1, 2024

For institutions that have not offered an ATB ECPP prior to July 1, 2024, the institution must submit an E-App with supporting documentation and receive approval from the Department prior to awarding *Title IV* aid to prospective students. After the first CPP has been approved as eligible, the institution can offer more ATB ECPPs without approval. The institution must notify the Department of additional programs and certify that all other ATB ECPPs meet the regulatory eligibility requirements. The Department may choose to review any subsequent ATB ECPPs offered by your institution for any reason.

If the Department does not approve an ATB ECPP for eligibility purposes, the institution may appeal that decision by contacting its appropriate regional office to initiate the appeal.

See [DCL GEN-24-08](#) Ability to Benefit State Process and Eligible Career Pathway Programs for more information, including a list of Q's and A's about eligible 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 *Title IV* 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 *Title IV* 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 *Title IV* 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.

Two-Year Rule

[34 CFR 600.5\(a\)\(7\)](#) and [\(b\)](#)

[34 CFR 600.6\(a\)\(6\)](#) and [\(b\)](#)

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 degree 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).

Conditions of Institutional Ineligibility

Bankruptcy or Crimes Involving *Title IV* 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 *Title IV* funds; or
- been judicially determined to have committed fraud involving *Title IV* 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 *Title IV* funds and must follow the requirements for a school that has lost its *Title IV* 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.

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 a *Title IV*-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.

TEACH Grant Program

[34 CFR Part 686](#)

Definition of TEACH Grant-eligible institution

[34 CFR 686.2\(d\)](#)

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 post-baccalaureate program that will prepare a student to teach, but does not offer a baccalaureate teacher

preparation 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 *Title IV* 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-*Title IV* 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 a *Title IV* 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.

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.

Program Participation Agreement

20 U.S.C. 1088
20 U.S.C. 1091
20 U.S.C. 1092
20 U.S.C. 1094
20 U.S.C. 1099a-3
20 U.S.C. 1099c
20 U.S.C. 1141
[34 CFR 668.14](#)

Purpose and Scope of the PPA

By entering into the PPA the school agrees to comply with the laws, regulations, and policies governing the *Title IV* programs. After being certified for *Title IV* program participation, the school must administer *Title IV* 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 *Title IV* programs in which the school is eligible to participate. The *Title IV* programs are:

- Federal Pell Grant
- Certain Dependents of Deceased Servicemembers or Public Safety Officers (Special Rule for Pell Grants)
- 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.

PPA Signature Requirements

A PPA must be signed by the official at the institution who has the authority to sign on behalf of the institution. That individual is typically the institution's chief executive officer, president, chancellor, or other designated official. In appropriate cases, FSA also requires an authorized representative of any entity with direct or indirect ownership of a private institution to sign a PPA.

By entering into a PPA, an institution agrees that it will comply with the provisions of [34 CFR Part 668, Subpart L](#) relating to factors of financial responsibility and that it will comply with the provisions of [34 CFR 668.16](#) relating to standards of administrative capability. Thus, to ensure financial responsibility, the Department may in certain cases require signatures from corporations or other legal entities that have, or could have, a direct or indirect effect on the institution's financial responsibility.

For more information about these signature requirements, please review Electronic Announcement ([GENERAL-22-16](#)) and Electronic Announcement ([GENERAL-23-11](#)).

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
 - [Title VI of the Civil Rights Act of 1964](#), as amended, barring discrimination on the basis of race, color, or national origin;
 - [Title IX of the Education Amendments of 1972](#), barring discrimination on the basis of sex;
 - The *Family Educational Rights and Privacy Act of 1974* (see Chapter 7)
 - Sections 501 and 505(b)(2) of the [Gramm-Leach-Bliley Act](#), on safeguarding information (see Chapter 7)
 - Section 504 of the [Rehabilitation Act of 1973](#), barring discrimination on the basis of physical handicap ([34 CFR Part 104](#)); and
 - 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 *Title IV* 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 *Title IV* program funds under an advance payment method, the school will time its requests for funds to meet only the school’s immediate *Title IV* program needs (see *Volume 4*, Chapter 1).
- The school will not charge for processing or handling any application, form, or data used to determine a student’s *Title IV* eligibility (see Chapter 3).
- The school will establish administrative/fiscal procedures and reports that are necessary for the proper and efficient management of *Title IV* 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 all Federal agencies and State attorneys general to share information regarding fraud, abuse, or the school’s eligibility for participation in *Title IV* 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 (see [34 CFR 668.501 Subpart R](#)).

- The school cannot penalize in any way a student who is unable to pay school costs due to compliance with the *Title IV* program requirements or due to a delay in a *Title IV* 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 *Title IV* programs, including any funds administered by a third-party servicer (see Chapter 3).
- 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\(b\)\(26\)](#) with recent updates explained in [Dear Colleague Letter GEN-24-06](#)] 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 *Title IV* 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](#)

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 Second Chance Pell Experiment allows participating colleges to provide Federal Pell Grant funding to otherwise eligible students who are incarcerated in Federal or State penal institutions. [Visit the ESI website](#) for more information and to review a listing of other experiments.

Experimental Sites

HEA Sec. 487A(b)