

# FOREIGN SCHOOL PARTICIPANT RESPONSIBILITIES

October 2024

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## Participant Responsibilities

Eligible foreign institutions choosing to participate or participating in the *Title IV, HEA* programs must meet or continue to meet the institutional eligibility and administrative capability requirements for participation in the *Title IV, HEA* programs. Please refer to [Foreign Schools Handbook 2022-2023](#). The Foreign Schools Handbook is a supplement to the Federal Student Aid (FSA) Handbook and contains information on FSA program requirements that are applicable only to foreign institutions.

Institutions are responsible for knowing all new statutory, regulatory, and procedural requirements for the FSA programs. As part of demonstrating that the institutions are administratively capable to participate in the *Title IV, HEA* programs, all institutions are required to access the [FSA Knowledge Center](#) to stay up to-date on this information. It is also recommended that institutions frequently visit the [FSA Training Center](#).

## Enrollment Requirement

Admit as regular students only persons who—

1. Have a secondary school completion credential; or
2. Have the recognized equivalent of a secondary school completion credential.

## Regulations for foreign schools on study abroad, written agreements and internships that took effect on July 1, 2021 are as follows.

Notwithstanding 34 C.F.R. §668.5, written arrangements between an eligible foreign institution and an ineligible entity are limited to those under which—

- Amended to permit written arrangements with an eligible institution in the United States to provide no more than 25% of a student's program. Limit of 25% includes internship component of the program, see 34 C.F.R. § 600.52.

- Amended to permit written arrangements between a foreign institution and an ineligible entity for no more than 25% of a student’s program, provided that the ineligible entity satisfies definition of “foreign institution”, see 34 C.F.R. §600.54.
- The Department is declining to permit stacking of the allowance for a student to complete up to 25 percent of their program at an eligible institution in the United States under proposed 34 C.F.R. § 600.52. However, an exception is permitted for independent research done by an individual student in the United States for not more than one academic year for research conducted during the dissertation phase of a doctoral program (where the research can only be performed at a facility in the United States) under current 34 C.F.R. § 600.51.
- Internship or externship component of a program that is a requirement to graduate are eligible program for *Title IV* purpose if the internship or externship is governed by accrediting agency standards, or by the standards of an outside oversight entity, such as an accrediting agency or government entity, that require the oversight and supervision of the institution, where the institution is responsible for the internship or externship and students are monitored by qualified institutional personnel.

**Note:** The above written arrangements do not include affiliation agreements for the provision of clinical training for foreign medical, veterinary, and nursing schools. These affiliation agreements are addressed separately in 34 C.F.R. § 600.55(h)(1), § 600.56(b), § 600.57(a)(2).

## Graduate or professional degree

Other programs lead only to a graduate or professional degree, but may admit students who do not yet meet the regulatory requirements to be considered graduate or professional degree students. A student who is enrolled in this type of program, but who does not yet qualify as a graduate or professional student per our definition, is not considered to be enrolled in an undergraduate program of study. Therefore, such a student is ineligible to receive any type of *Title IV* aid until they have completed at least three years of full-time study, which may be part of the graduate or professional degree program. Once the student has completed at least three years of full-time study, they are eligible to receive graduate-level *Title IV* aid.

For more detail, see [34 C.F.R. § 668.2\(b\)](#).

See FSA Handbook, Volume 1 – Student Eligibility:

[https://fsapartners.ed.gov/sites/default/files/2023-2024/2023-2024 Federal Student Aid Handbook/ knowledge-center fsa-handbook 2023-2024 vol1.pdf](https://fsapartners.ed.gov/sites/default/files/2023-2024/2023-2024%20Federal%20Student%20Aid%20Handbook/knowledge-center%20fsa-handbook%202023-2024%20vol1.pdf).

## **Examples of programs that are never eligible for Direct Loan Program participation when offered by a foreign institution**

- A program offered in whole or in part through telecommunications, otherwise known as distance education (See discussion in the Introduction section that pertains to COVID-19 exemptions for distance education at foreign schools),
- A program offered in whole or in part through correspondence,
- A program offered in whole or in part through direct assessment,
- A program for which more than 25% of the program is provided by an entity that is not eligible to participate in the FSA Programs as long as the ineligible entity meets the definition of “foreign institution” (**Note:** the 25% limit does not apply for affiliation agreements for the provision of clinical training for foreign graduate medical, veterinary, and nursing schools),
- With limited exception, a program offered in whole or in part in the United States (see Programs offered in the United States).

In recognition that distance education technologies are frequently used in conjunction with classroom instruction, foreign institutions may use distance education technologies to supplement and support instruction offered in a classroom located in the foreign country where the students and instructor are physically present.

**Separate version of a program:** A Direct-Loan-eligible version of a program must be administratively distinct from any version of the program offered by the institution that contains Direct-Loan-ineligible courses. This means that the program must be identified separately wherever the institution lists its programs online or in publications, and student enrollment and progress in the program must be tracked separately (e.g., through a unique program number or other identifier). An institution does not need to create duplicate courses for the Direct-Loan-eligible program and the ineligible program. Students from both versions of a program may attend the same Direct-Loan-eligible courses.

## **Provisionally-Approved Program Participation Agreement**

Institutions who are participating under a Provisional Program Participation Agreement are required to comply with the special requirements for substantial changes made during period of provisional certification. Any institution provisionally certified must apply for and receive approval by the Secretary for expansion or of any substantial change (as hereinafter identified) before it may award, disburse or distribute *Title IV, HEA* funds based on the substantial change. Substantial changes generally include, but are not limited to:

- establishment of an additional location;
- increase in the level of academic offering beyond those listed in the Institution's Eligibility and Certification Approval Report (ECAR); or

- addition of any educational program (including degree, nondegree, or short-term training programs). **Note:** Institutions that are fully certified can self-certify their academic programs.

If the institution applies for the Secretary's approval of a substantial change, the institution must demonstrate that it has the financial and administrative resources necessary to assure the institution's continued compliance with the standards of financial responsibility (34 C.F.R. § 668.15 and 34 C.F.R. Part 668, Subpart L) and administrative capability (34 C.F.R. § 668.16).

There are certain changes that must be reported to the Department within 10 calendar days, but the institution does not need to wait for the Department's approval before disbursing funds. The changes must be reported to the Department via the Application to Participate in the Federal Student Financial Aid Programs (E-App); see the list of these changes on the "Updating Application Information" section of the E-App.

## **Additional Locations of Main**

An additional location of a foreign institution must separately meet the definition of a foreign institution in 34 C.F.R. § 600.52 if the additional location is—

- Located outside of the country in which the main campus is located, except as provided in 34 C.F.R. §§ 600.55(h)(1), 600.56(b), 600.57(a)(2), 600.55(h)(3), and the definition of foreign institution found in 34 C.F.R. § 600.52; or
- Located within the same country as the main campus but is not covered by the legal authorization of the main campus.

**Definition of additional location** – Offers 50% or more of an eligible program at the location. For the purpose of this requirement, consider an additional location a separate campus if it meets all of the following criteria:

- It is not reasonably geographically contiguous with the main campus;
- It has an organized program of study; and
- There is at least one person on site acting in an administrative capacity.

**Reasonably geographically contiguous** refers to a building or property an institution owns or controls that is in a location that their students consider to be, and treat as, part of their campus. An example might be a house two blocks from campus that is owned by their institution, and which is used as an art studio for their students. Generally speaking, it is reasonable to consider locations within one mile of their campus border to be reasonably contiguous with their campus. However, this determination must be made on a case-by-case basis by taking into consideration the circumstances of the campus and the location. A location that is within one mile of campus but separated from campus by a river or a six-lane highway might not be considered contiguous unless a pedestrian bridge or tunnel connects the two sides.

## Eligible Education Program

The foreign institution provides an eligible education program—

1. For which the institution is legally authorized to award a degree that is equivalent to an associate, baccalaureate, graduate, or professional degree awarded in the United States;
2. That is at least a two-academic-year program acceptable for full credit toward the equivalent of a baccalaureate degree awarded in the United States; or
3. That is equivalent to at least a one-academic-year training program in the United States that leads to a certificate, degree, or other recognized educational credential and prepares students for gainful employment in a recognized occupation within the meaning of the gainful employment provisions.

An institution must demonstrate to the satisfaction of the Secretary that the amount of academic work required by a program in 34 C.F.R. § 600.54 (e)(3)(i) of this section is equivalent to at least the definition of an academic year in [§ 668.3](#).

For *Title IV* purposes, a foreign institution is one that is legally authorized by the education ministry, council, or equivalent agency of the country in which the institution is located to provide an educational program beyond the secondary education level; and awards degrees, certificates, or other recognized educational credentials, in accordance with the requirement for an eligible program, that are officially recognized by the country in which the institution is located.

Additional requirements apply to schools that are seeking eligibility to add its Medical, Veterinary and or its Nursing program in its scope of eligibility.

## To meet administrative capability requirements, an institution must participate in the Department's electronic processes, as follows:

- Use the electronic application ([E-App](#)) to submit and update the school's eligibility information
- Enroll in the Student Aid Internet Gateway ([SAIG](#)). For information about the SAIG enrollment process, refer to the Foreign School SAIG and System Connectivity area on the Foreign School Information page;
- Use the FAFSA Partner Portal or its SAIG mailbox to exchange student or applicant data on the Free Application for Federal Student Aid (FAFSA) or *Institutional Student Information Record* (ISIR) with the Department's FAFSA Processing System (FPS);
- Use the [COD website](#) or its SAIG mailbox to exchange award and disbursement data for Direct Loans;
- Submit to the [National Student Loan Data System \(NSLDS\)](#) student enrollment records, federal student aid program overpayments, and NSLDS Transfer Student Monitoring records;

- Use its SAIG mailbox to receive its draft and official cohort default rate information electronically;
- Use the [Knowledge Center website](#) to review Foreign School Updates, Electronic Announcements, Dear Colleague Letters, *Federal Register* publications, and other important information. **[Foreign School Information | Knowledge Center](#)**

In the new system, FSA Partner Connect, the Financial Aid Administrator (FAD) was given the Eligibility and Oversight Administrator (E&OA) role. The E&OA is able to give access to other individuals which will allow them to update the new e-app. School officials that are listed as Primary Administrator have the same access to FSA Partner Connect as the E&OA.

<https://fsapartners.ed.gov/sites/default/files/2024-01/TablePC2UserAccessRoleSummary.pdf>

## Program Participation Agreement

### General Terms and Conditions

Foreign schools approved to participate in the William D. Ford Federal Direct Loan (Direct Loan) Program enter into a binding legal agreement and fiduciary relationship with the U.S. Department of Education (the Department), and therefore must:

- Ensure that United States (U.S.) students applying for loans under Direct Loan program meet all eligibility requirements;
- Agree to fulfill administrative and fiduciary duties;
- Follow all U.S. regulations covering federal student aid programs;
- Submit required documents timely; and
- Repay loan funds if a student withdraws before finishing the program of study, and reimburse the Department for subsidy costs incurred if the school erred in approving award of the loan.

## Audits and Financial Responsibility

A school that participates in any Federal Student Aid program must have an independent auditor conduct annually an audit of the school's compliance with the laws and regulations that are applicable to the FSA programs in which the school participates (a compliance audit) and an audit of the school's financial statements (a financial statement audit), if applicable.

### eZ-Audit Requirements

To participate in the Department's federal student aid programs, foreign schools must register in eZ-Audit System. **[Electronic Submission of Financial Statements and Compliance Audits for All Schools and Other Entities | Knowledge Center](#)**

## **eZ-Audit Submission Pointers**

- One financial statement containing comparative statements for both years is not acceptable.
- The Fiscal Year Questions in the eZ-Audit financial template need to match with the financial statement's information which also needs to match the dates of the annual compliance audit.
- If any of the foreign schools audit guide requirements are missing from the submission, the submission will be marked incomplete to allow the institution to fix the item(s). An incomplete letter will be generated.
- Each submission stands alone; therefore, please ensure all required .pdf(s) are attached to your resubmission.

**If the above requirements are not met, the financial statements and compliance audits submission will not be accepted.**

**Institutional Status** – All foreign institutions that are Public in their country are considered foreign private non-profit for *Title IV* purposes and are required to submit an audited Financial Responsibility Supplemental Schedule as part of their annual financial statement submission. To seek designation as a public institution for *Title IV* purposes, a participating or prospective public institution must submit a Letter of Public status issued by the appropriate government entity in their country that meets the requirements of 34 C.F.R. [§ 668.171\(g\)\(2\)](#). Institutions with approved public status for *Title IV* purposes will be relieved from the Financial Responsibility Supplemental Schedule requirements, however, they will still be required to provide audited financial statement submissions that meet all other requirements.

**Financial Responsibility Supplemental Schedule** – Per 34 C.F.R. § 668.172 and Appendices of Subpart L of Part 668, effective July 1, 2020, additional disclosures are required if an institution wants to be able to offset the reduction of applicable property, plant and equipment with qualified long-term debt. Regarding recent accounting rules changes for leases, and the Department's revised method of reflecting leases in the calculation of the composite financial score, we refer you also to page 49871 of the above-cited regulation announcement and the discussion there of the different treatment for leases entered into before or after December 15, 2018 ("pre-implementation" or "post-implementation leases").

## **eZ-Audit Requirements for New Foreign Institutions**

A foreign institution seeking initial approval must submit:

- Audited financial statements for the two most recently ended fiscal years, in English, prepared in accordance with the generally accepted accounting principles of the institution's home country. The submission should be provided not more than nine months after the end of the institution's most recently ended fiscal year. Each fiscal year should be uploaded on its own attachment as part of the same submission. Each set of financial statements must include the following:

- An independent auditor’s report.
- A related party disclosure that describes all related party transactions, regardless of materiality, as described in 34 C.F.R. §668.23(d).
- A Financial Responsibility Supplemental Schedule that is audited by the same auditor as the financial statements, as described in Appendix A and B to Subpart L of Part 668 Section 2, final regulations published on Sept. 23, 2019: <https://fsapartners.ed.gov/knowledge-center/library/federal-registers/2019-09-23/final-regulation-borrower-defense-repayment>, and in GEN-21-07: <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2021-09-30/financial-responsibility-supplemental-schedule-audit-requirement>.

## eZ-Audit Requirements for Continuing Foreign Institutions

### Annual Reporting Requirements

To participate in the Department’s federal student aid programs, foreign schools must submit a financial audit and a compliance engagement annually in eZ-Audit System, <https://ezaudit.ed.gov/EZWebApp/>.

Annual submissions are due the earlier of six months after the last day of the institution’s fiscal year or 30 days after the date of the auditor’s report.

### Annual financial statement submission

Depending upon the amount of loan funds that a foreign school certifies for its students’ attendance during the fiscal year, the federal regulations prescribe how financial statements are to be presented for foreign schools.

- The Secretary waives the submission of audited financial statements if the institution is a foreign public or nonprofit institution that received less than \$500,000 in U.S. *Title IV* program funds during its most recently completed fiscal year, unless that foreign public or nonprofit institution is in its initial provisional period of participation, and received *Title IV* program funds during that fiscal year, in which case the institution must submit, in English, audited financial statements prepared in accordance with generally accepted accounting principles of the institution's home country.
  - **Note:** A foreign public or nonprofit institution whose review of its most recently closed fiscal year’s financial statements yielded a failing composite score does not meet the low volume waiver of 668.23 (h)(1)(i). These institutions are required to submit an annual financial statement even if their funding for its end of fiscal year was less than \$500,000. They will continue to submit until the institution meet the standards of financial responsibility as described in 34 C.F.R. 668.172, Financial Ratios.

- A foreign institution that received \$500,000 or more in U.S. *Title IV* program funds during its most recently completed fiscal year must submit, in English, for each most recently completed fiscal year in which it received *Title IV* program funds, audited financial statements prepared in accordance with generally accepted accounting principles of the institution's home country along with corresponding audited financial statements.

Please review the table below for annual financial reporting requirements based on institutional status and the amount of funding received during its most recently closed fiscal year.

<b>Foreign Institution Annual Audited Financial Statement Reporting Requirements</b>			
<b>Title IV Funds received during Fiscal Year</b>	<b>Public &amp; Private Non-Profit Institutions</b>		<b>For-Profit Institutions</b>
	<b>Home Country GAAP</b>	<b>U.S. GAAP &amp; GAGAS</b>	<b>Home Country GAAP and U.S. GAAP &amp; GAGAS</b>
<b>\$10,000,000 +</b>	Required annually, in English	Required annually, in English	Required annually, in English
<b>\$9,999,999 - \$3,000,000</b>	Required annually,   in English	Required annually, in English, may omit for 2 consecutive years <u>after</u> submission of U.S. GAAP & GAGAS audit	
<b>\$2,999,999 - \$500,000</b>	Required annually, in English	Not Required	
<b>Less than \$500,000</b>	Not required, <i>except during Initial Certification period and funds were received</i>	Not Required	
<b>NOTE:</b> If a foreign institution has a financial condition or financial reporting problem, the U.S. Department of Education may require the foreign institution to submit audited financial statements in a manner specified by the U.S. Department of Education.			

### **Guidance for Financial Responsibility Supplemental Schedule**

Any financial statement audit with a fiscal year ending after December 31, 2020 must include the Financial Responsibility Supplemental Schedule as part of the audited financial statements and not a separate document. The Financial Responsibility Supplemental Schedule must be audited by the same auditor as the financial statements and included in the financial statements. It cannot be two separate documents, or two documents simply merged together.

The institution can either:

1. Incorporate the Financial Responsibility Supplemental Schedule into the notes to the financial statements so that the auditor's opinion on the financial statements includes the incorporated Supplemental Schedule. In this case, the auditor's opinion letter must mention that the audit included the notes to the financial statements. OR
2. Include the Financial Responsibility Supplemental Schedule in the financial statements as Supplemental Information, in which case the auditor's opinion letter will need a separate statement indicating that the Financial Responsibility Supplemental Schedule has been audited (not merely agreed upon procedures applied) and is presented fairly in relation to the financial statements as a whole.

The Financial Responsibility Supplemental Schedule is described in eCFR: 34 CFR Part 668 Subpart L – Financial Responsibility: <https://www.ecfr.gov/current/title-34/subtitle-B/chapter-VI/part-668/subpart-L>.

For additional guidance on the Financial Responsibility Supplemental Schedule, you can review the following:

- Dear Colleague Letter issued Sept. 30, 2021: <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2021-09-30/financial-responsibility-supplemental-schedule-audit-requirement>
- Electronic Announcement published on April 9, 2020: <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2020-04-09/financial-responsibility-and-ez-audit-reporting-requirements-updated-8202020>. This announcement provides additional guidance regarding common concerns raised by institutions regarding how the new regulatory requirements would be implemented.

### **Annual Compliance Audit Submission**

**Compliance Audits** allow the Department to evaluate the foreign school's compliance with program requirements. A compliance audit must cover, on a fiscal year basis, all *Title IV* program transactions (i.e., disbursements and returns/refunds) that have occurred since the period covered by the institutions last compliance audit. This may include one or more award years. For funding under \$500,000, an alternative compliance attestation engagement is required and for funding over \$500,000, a standard compliance attestation engagement is required. Please see below on what is required for submission to eZ-Audit:

- *Title IV* funding received is less than \$500,000: Submit alternative compliance attestation engagement by choosing one of the following submission links:
  - (a) \$1.00 to \$499,999.99; or
  - (b) \$500,000 to \$2,999,999.99 if your institution has financial protection on file with the Department as a result of a failed composite score regardless of the amount of *Title IV* funding your institution received.
- *Title IV* funding received is over \$500,000: Submit standard compliance attestation engagement by choosing one of the following submission links:
  - (a) \$500,000 to \$2,999,999.99;
  - (b) \$3,000,000 to \$9,999,999.99; or
  - (c) \$10,000,000 and more.

- For eligible foreign institutions that received zero *Title IV* funding for a fiscal year, the Institution must still log into eZ-Audit and select the \$0 (No Funding) option at which time the Institution will be asked to upload your home country financial statements.
- For institutions that are in your initial period of participation, you need to choose one of the following:
  - (a) If you received zero funding during a fiscal year in your initial period of eligibility, please select the \$0 (No Funding);
  - (b) If you received less than \$500,000 during a fiscal year in your initial period of eligibility, please select the \$500,000 to \$2,999,999.99 as financial statements are required; or
  - (c) If you received more than \$500,000 during a fiscal year in your initial period of eligibility, please select the appropriate submission:
    - (i) \$500,000 to \$2,999,999.99;
    - (ii) \$3,000,000 to \$9,999,999.99; or
    - (iii) \$10,000,000 and more.

Foreign Institution Annual Compliance Audit Reporting Requirements		
Title IV Funds received during Fiscal Year	Public & Private Non-Profit Institutions	For-Profit Institutions
\$500,000 +	Standard Compliance Audit Submit Annually	Standard Compliance Audit  Submit Annually
Less than \$500,000	Alternative Compliance Audit Submit Annually	
	Alternative Compliance Audit may cover up to 3 complete fiscal years <b>IF</b> <ul style="list-style-type: none"> <li>• Receive &lt; \$500,000 in most recent fiscal year <u>and</u>;</li> <li>• Is fully certified <u>and</u>;</li> <li>• Has timely submitted acceptable compliance audits for two most recent fiscal years <u>and</u>;</li> <li>• Received notification from U.S. Department of Education</li> </ul>	