



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

November 23, 2011

GEN-11-20

Subject: Foreign Institutions That Do Not Directly Award Recognized Educational Credentials

Summary: This letter advises of the ineligibility under the Direct Loan Program of foreign institutions that do not directly award recognized educational credentials.

Dear Colleague:

On November 1, 2010, the Department published in the Federal Register final regulations making changes to the requirements for foreign institutions that participate in the William D. Ford Federal Direct Loan (Direct Loan) Program (75 FR 67170). The final regulations are available at <http://www.ifap.ed.gov/fregisters/FR110110ForeignInstitutionsFinal.html>. These regulations were generally effective July 1, 2011, except for regulations specific to foreign graduate medical schools, which were effective July 20, 2011.

As a result of changes made by the final regulations, foreign institutions that are not legally authorized by the countries in which they are located to directly award educational credentials are no longer eligible for participation in the Direct Loan Program. The institutions in question provide programs of study, but all educational credentials are issued by other eligible participating institutions. The education agency of the country where the institution providing the program of study is located often acknowledges such arrangements, but nonetheless does not authorize the institution providing the program of study to award the credential.

Paragraph (1)(iv) of the definition of a foreign institution in §600.52 requires that, to be eligible to participate in the Direct Loan Program, a foreign institution must award degrees, certificates, or other recognized credentials that are officially recognized by the country in which the institution is located. An institution that is not permitted by the education ministry, council, or equivalent agency of the country in which it is located to issue an educational credential cannot be said to qualify as an institution that awards officially recognized credentials. As a result, foreign institutions that do not directly award recognized educational credentials that were permitted to participate in the Direct Loan Program prior to the new regulations becoming effective on July 1, 2011, are no longer eligible to participate. We note that U.S. domestic institutions that are not authorized to issue educational credentials are not permitted to participate in any of the Federal student assistance programs, including the Direct Loan Program. As the Department stated in the preamble to the proposed regulations on July 20, 2010 (available at <http://ifap.ed.gov/fregisters/FR072010ForeignInstitutions.html> beginning on page 42193), the rules were written to include heightened requirements for government oversight of foreign

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institutions. The Department explained that this heightened level of oversight is necessary to ensure academic quality in view of the fact that, as a general matter, foreign institutions need not hold accreditation, and that, even when they do choose to undergo accreditation, the Department is precluded from reviewing the quality of the oversight the accrediting agency provides—all in contrast to the oversight applicable to participating domestic institutions.

Foreign institutions that have lost eligibility as a result of the new rules are not permitted to award Direct Loans to new students. However, they may continue to award Direct Loans to students who obtained such loans prior to the loss of institutional eligibility and who maintained continuous enrollment. These students may receive Direct Loans for the academic year that includes July 1, 2011, and for the following academic year (§600.58(c)). Regulations as to the responsibilities of an institution that has lost eligibility to participate in the Title IV programs are set forth in §668.26.

If you have questions regarding the information provided in this letter, you may contact Federal Student Aid's Research and Customer Care Center staff. Staff is available Monday through Friday between the hours of 9 a.m. and 5 p.m. (Eastern Time) at 1-800-433-7327. After hours, calls will be accepted by an automated voice response system. Alternatively, you may e-mail the Care Center at fsa.customer.support@ed.gov. Foreign institutions may also contact Federal Student Aid's Foreign Schools Team at fsa.foreign.schools.team@ed.gov or (202) 377-3168.

We thank you for your continued cooperation as we work to implement these regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "David A. Bergero" with a stylized flourish at the end.

Eduardo M. Ochoa