

Federal Register

Friday
September 13, 1996

Part IV

Department of Education

34 CFR Part 668, et al.
Student Assistance General Provisions;
Proposed Rule

DEPARTMENT OF EDUCATION**34 CFR Parts 668, 674, 675, 676, 682, 685, and 690****RIN 1840-AC39****Student Assistance General Provisions****AGENCY:** Department of Education.**ACTION:** Notice of proposed rulemaking.

SUMMARY: The Secretary proposes to amend the Student Assistance General Provisions regulations, 34 CFR Part 668, to implement an amendment made to the General Education Provisions Act (GEPA) by the Improving America's Schools Act of 1994 (IASA). That amendment decreased from five years to three years the length of time that a recipient of Federal funds is required to maintain records. In addition, the Secretary is proposing to consolidate and clarify existing records retention rules, and reduce administrative burden on institutions.

DATES: Comments must be received on or before October 28, 1996.

ADDRESSES: All comments concerning these proposed regulations should be addressed to: Mr. Kenneth Smith, U.S. Department of Education, P.O. Box 23272, Washington, DC 20026-3272, or to the following internet address (records_retention@ed.gov).

To ensure that public comments have maximum effect in developing the final regulations, the Department urges that each comment clearly identify the specific section or sections of the regulations that the comment addresses and that comments be in the same order as the regulations.

A copy of any comments that concern information collection requirements should also be sent to the Office of Management and Budget at the address listed in the Paperwork Reduction Act section of this preamble. A copy of those comments may also be sent to the Department representative named in the above paragraph.

FOR FURTHER INFORMATION CONTACT: Ms. Paula M. Husselmann or Mr. Kenneth Smith, U.S. Department of Education, 600 Independence Avenue, SW, ROB-3, Room 3045, Washington, DC 20202-5346. The telephone number for Ms. Paula Husselmann is (202) 708-7888. The telephone number for Mr. Kenneth Smith is (202) 708-9406. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION: The IASA, Pub.L. 103-382, enacted on October 20, 1994, amended Section 437 of GEPA to reduce from five years to three years the length of time that a recipient of funds under programs administered by the Secretary of Education must maintain records. An institution that participates in the student financial assistance programs authorized by title IV of the Higher Education Act of 1965, (title IV, HEA programs) is covered by this statutory amendment. Therefore, the Secretary is amending applicable regulations to conform those regulations to this statutory change. However, this reduction in record retention time is applicable only to institutions of higher education that participate in the title IV, HEA programs. It does not apply, for example, to lenders or guarantee agencies under the Federal Family Education Loan (FFEL) Programs because these entities are not recipients of program funds.

In the context of examining the regulations governing record keeping, the Secretary noted that the starting point for the record retention period was different under each of the title IV, HEA programs. The Secretary believes that the record keeping period should be the same for all programs, to the extent possible. Therefore, the Secretary is proposing as a general rule that, other than records relating to student loans, an institution must keep records relating to its administration of a title IV, HEA program for an award year for three years after the end of that award year. Thus, an institution would have to keep records relating to its administration of a title IV, HEA program for the 1996-97 award year through June 30, 2000. However, an institution is free to keep these records, as well as the records discussed below, for a longer period of time if it so desires.

The Secretary is proposing the following for certain types of records that do not fit within the general rule. With regard to records relating to student loans under the FFEL and Direct Loan Programs, the Secretary is proposing that an institution keep these records for three years after the end of the award year in which the student borrower last attended the institution. This later starting date for loan records is necessary to provide for the enforceability of the loan, and to ensure the borrower's repayment. The Secretary is also proposing that an institution keep loan records relating to the repayment of loans under the Federal Perkins Loan Program in accordance with the regulations governing that program, 34 CFR 674.19.

A Fiscal Operations Report and Application to Participate in the Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) Programs (FISAP) involves two award years and is submitted in a third award year. Thus, when an institution submits a FISAP in October 1996 (in the 1996-97 award year) it reports data for the just completed award year (1995-96), and requests funds for the immediate future award year (1997-98). In addition, an institution must be able to document the income grid information that it provides on the FISAP. Accordingly, the Secretary is proposing that an institution keep the FISAP and the records supporting information contained in a FISAP, including income grid information, for three years after the end of the award year in which the FISAP was submitted. Thus, it must keep the FISAP it submits in October 1996 and records supporting the data included in that FISAP until June 30, 2000.

The Secretary has included a non-exhaustive list of the more prominent required records in § 668.24 of these proposed regulations. However, this list does not include every specific record that must be maintained by institutions.

The Secretary will include a more comprehensive listing of records required to be kept in the next publication of the Student Financial Aid Handbook.

The Secretary is, to the extent possible, also consolidating in § 668.24, record keeping requirements applicable to institutions, and eliminating those requirements in the individual program regulations.

Finally, the Secretary is proposing regulations to accommodate new technology by allowing institutions to satisfy its record keeping requirements under various electronic formats. The Secretary proposes that all record information, except those records required to be retained in electronic format, must be retrievable in a coherent hard copy or in other media format acceptable to the Secretary. The provision "acceptable to the Secretary" means any media format that the Secretary indicates in various communications with institutions is acceptable; this provision does not mean that institutions must apply for approval of any media format. With respect to retaining electronic records the institution receives or transmits in electronic format, the Secretary proposes that institutions maintain any required record that it transmits or receives electronically in the same electronic format in which the record

was sent or received. The Secretary proposes rules to govern the location of records for review by the Secretary or his representative. Specifically, the regulations propose that an institution make its records readily available for review at an institutional location designated by the Secretary.

Executive Order 12866

Executive Order 12866 requires each agency to write regulations that are easy to understand.

The Secretary invites comments on how to make these regulations easier to understand, including answers to questions such as the following: (1) Are the requirements in the proposed regulations clearly stated? (2) Do the regulations contain technical terms or other wording that interferes with their clarity? (3) Does the format of the regulations (grouping and order of sections, use of headings, paragraphing, etc.) aid or reduce their clarity? Would the regulations be easier to understand if they were divided into more (but shorter) sections? (A "section" is preceded by the symbol "§" and a numbered heading; for example, § 668.24 Records retention and examinations.) (4) Is the description of the proposed regulations in the "Supplementary Information" section of this preamble helpful in understanding the proposed regulations? How could this description be more helpful in making the proposed regulations easier to understand? (5) What else could the Department do to make the regulations easier to understand?

A copy of any comments that concern how the Department could make these proposed regulations easier to understand should be sent to Mr. Stanley M. Cohen, Regulations Quality Officer, U.S. Department of Education, 600 Independence Avenue, SW, Room 5121, FOB-10, Washington, DC 20202-2241.

Regulatory Flexibility Act Certification

The Secretary certifies that these proposed regulations would not have a significant economic impact on a substantial number of small entities.

Entities affected by these regulations are institutions of higher education that participate in title IV, HEA Programs. These institutions are defined as small entities, according to the U.S. Small Business Administration Size Standards, if they are for-profit or non-profit institutions with total annual revenue below \$5,000,000, or if they are institutions controlled by governmental entities with populations below 50,000. These proposed regulations would not have a significant economic impact on

small entities. The regulations would benefit both small and large institutions by reducing from five to three years the length of time that institutions must keep records relating to their administration of title IV, HEA Programs. The regulations also would reduce burden on all institutions by providing a common record keeping period for all programs, to the extent possible. Finally, the proposed regulations would allow institutions to satisfy record keeping requirements under various electronic formats. Thus, institutions, both small and large, would experience regulatory relief and a positive economic impact as a result of these proposed regulations.

The Secretary requests comments from small institutions as to whether the proposed changes would have a significant economic impact on them.

Paperwork Reduction Act of 1995

Section 668.24 contains an information collection requirement. As required by the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)), the Department of Education has submitted a copy of this section to the Office of Management and Budget (OMB) for its review.

Collection of Information: Recordkeeping Requirements

An institution must maintain records documenting its application for and participation in the title IV, HEA programs. The information to be collected includes any application for title IV, HEA program funds and program records that document an institution's eligibility to participate in the title IV, HEA programs; the eligibility of its educational programs for title IV, HEA program funds; its administration of the title IV, HEA programs in accordance with all applicable requirements; its financial responsibility; information included in any application for title IV, HEA program funds; and its disbursement and delivery of title IV, HEA program funds. The Department needs and uses these records to verify an institution's compliance with statute and regulations.

Information is to be collected by institutions on an ongoing basis, as it is created or becomes available. Annual reporting and recordkeeping burden for this collection of information is estimated to average 79.8 hours for each response for 10,000 respondents, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed and completing and reviewing the collection of information. The total annual reporting and

recordkeeping burden for this collection is estimated to be 798,164 hours.

Organizations and individuals desiring to submit comments on the information collection requirements should direct them to the Office of Information and Regulatory Affairs, OMB, Room 10235, New Executive Office Building, Washington, D.C. 20503; Attention: Desk Officer for the U.S. Department of Education.

The Department considers comments by the public on this proposed collection of information in—

- Evaluating whether the proposed collection of information is necessary for the proper performance of the functions of the Department, including whether the information will have practical utility;
- Evaluating the accuracy of the Department's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhancing the quality, usefulness, and clarity of the information to be collected; and
- Minimizing the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques of other forms of information technology; e.g., permitting electronic submission of responses.

OMB is required to make a decision concerning the collection of information contained in these proposed regulations between 30 and 60 days after publication of this document in the Federal Register. Therefore, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication. This does not affect the deadline for the public to comment to the Department on the proposed regulations.

Invitation To Comment

Interested persons are invited to submit comments and recommendations regarding these proposed regulations.

All comments submitted in response to these proposed regulations will be available for public inspection, during and after the comment period, in Room 3045, Regional Office Building 3, 7th and D Streets, SW, Washington, DC, between the hours of 8:30 a.m. and 4:00 p.m., Monday through Friday of each week, except Federal holidays.

Assessment of Educational Impact

The Secretary particularly requests comments on whether the proposed regulations in this document would require transmission of information that

is being gathered by or is available from any other agency or authority of the United States.

List of Subjects

34 CFR Part 668

Administrative practice and procedure, Colleges and universities, Consumer protection, Education, Grant programs—education, Loan programs—education, Reporting and recordkeeping requirements, Student aid.

34 CFR Part 674

Loan programs—education, Reporting and recordkeeping requirements, Student aid.

34 CFR Part 675

Colleges and universities, Employment, Grant programs—education, Reporting and recordkeeping requirements, Student aid.

34 CFR Part 676

Grants programs—education, Reporting and recordkeeping requirements, Student aid.

34 CFR Parts 682 and 685

Administrative practice and procedure, Colleges and universities, Loan programs—education, Reporting and recordkeeping requirements, Student aid, Vocational education.

34 CFR Part 690

Colleges and universities, Education of disadvantaged, Grant programs—education, Reporting and recordkeeping requirements, Student aid.

Dated: September 9, 1996.

Richard W. Riley,
Secretary of Education.

(Catalog of Federal Domestic Assistance Numbers: 84.007: Federal Supplemental Educational Opportunity Grant Program; 84.032: Federal Stafford Loan Program; 84.032: Federal PLUS Program; 84.032: Federal Supplemental Loans for Students Programs; 84.033: Federal Work-Study Program; 84.038: Federal Perkins Loan Program; 84.063: Federal Pell Grant Program; 84.069: State Student Incentive Grant Program; 84.268: Federal Direct Student Loan Program; and 84.272: National Early Intervention and Scholarship and Partnership Program. A Catalog of Federal Domestic Assistance Number for the Presidential Access Scholarship Program has not been assigned)

The Secretary proposes to amend Parts 668, 674, 675, 676, 682, 685, and 690 of Title 34 of the Code of Federal Regulations as follows:

PART 668—STUDENT ASSISTANCE GENERAL PROVISIONS

1. The authority citation for Part 668 continues to read as follows:

Authority: 20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099c, and 1141, unless otherwise noted.

2. Section 668.24 is revised to read as follows:

§ 668.24 Records retention and examinations.

(a) *Program records.* An institution shall establish and maintain, on a current basis, any application for title IV, HEA program funds and program records that document—

(1) Its eligibility to participate in the title IV, HEA programs;

(2) The eligibility of its educational programs for title IV, HEA program funds;

(3) Its administration of the title IV, HEA programs in accordance with all applicable requirements;

(4) Its financial responsibility, as specified in this part;

(5) Information included in any application for title IV, HEA program funds; and

(6) Its disbursement and delivery of title IV, HEA program funds.

(b) *Fiscal records.* (1) An institution shall account for the receipt and expenditure of title IV, HEA program funds in accordance with generally accepted accounting principles.

(2) An institution shall establish and maintain on a current basis—

(i) Financial records that reflect each HEA, title IV program transaction; and

(ii) General ledger control accounts and related subsidiary accounts that identify each title IV, HEA program transaction and separate those transactions from all other institutional financial activity.

(c) *Required records.* (1) The records that an institution must maintain in order to comply with the provisions of this section include but are not limited to—

(i) The Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine eligibility for title IV, HEA program funds;

(ii) Application data submitted to the Secretary, lender, or guaranty agency by the institution on behalf of the student or parent;

(iii) Documentation of each student's or parent borrower's eligibility for title IV, HEA program funds;

(iv) Documentation relating to each student's or parent borrower's receipt of title IV, HEA program funds, including but not limited to documentation of—

(A) The amount of the grant or loan, its payment period or loan period, and the calculations used to determine the amount of the grant or loan;

(B) The date and amount of each disbursement of grant or loan funds, and the date and amount of each payment of FWS wages;

(C) The amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student; and

(D) The payment of any refund or overpayment to the title IV, HEA program fund, a lender, or the Secretary, as appropriate;

(v) Documentation of and information collected at any initial or exit counseling required by applicable program regulations;

(vi) Reports and forms used by the institution in its participation in a title IV, HEA program, and any records needed to verify data that appear in those reports and forms; and

(vii) Documentation supporting the institution's calculations of its completion or graduation rates under §§ 668.46 and 668.49.

(2) In addition to the records required under this part—

(i) Participants in the Federal Perkins Loan Program shall follow procedures established in 34 CFR 674.19 for documentation of repayment history for that program;

(ii) Participants in the FWS Program shall follow procedures established in 34 CFR 675.19 for documentation of work, earnings, and payroll transactions for that program; and

(iii) Participants in the FFEL Program shall follow procedures established in 34 CFR 682.610 for documentation of additional loan record requirements for that program.

(d) *General.* (1) An institution shall maintain required records in a systematically organized manner.

(2) An institution shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representative.

(3) An institution may keep required records in hard copy or in microform, computer file, optical disk, CD-ROM, or other media formats, provided that—

(i) Except for the records described in paragraph (d)(3)(ii) of this section, all record information must be retrievable in a coherent hard copy format or in other media formats acceptable to the Secretary;

(ii) An institution shall maintain any record that it transmits or receives electronically with regard to a title IV,

HEA program in the electronic format in which it was sent or received;

(iii) Any imaged media format used to maintain required records must be capable of reproducing an accurate, legible, and complete copy of the original document, and when printed, this copy must be the same approximate size as the original document;

(iv) Any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be maintained in its original hard copy or in an imaged media format; and

(v) Participants in the Federal Perkins Loan Program shall follow procedures established in 34 CFR 674.19 for maintaining the original promissory notes and repayment schedules for that program.

(4) If an institution closes, stops providing educational programs, is terminated or suspended from the Title IV, HEA programs, or undergoes a change of ownership that results in a change of control as described in 34 CFR 600.31, it shall provide for—

(i) The retention of required records; and

(ii) Access to those records, for inspection and copying, by the Secretary or the Secretary's authorized representative.

(e) *Record retention.* Unless otherwise directed by the Secretary—

(1) An institution shall keep records relating to its administration of the Federal Perkins Loan, FWS, FSEOG, or Federal Pell Grant Program for three years after the end of the award year for which the aid was awarded and disbursed under those programs, provided that an institution shall keep—

(i) The Fiscal Operations Report and Application to Participate in the Federal Perkins Loan, FSEOG, and FWS Programs (FISAP), and any records necessary to support the data contained in the FISAP, including "income grid information," for three years after the end of the award year in which the FISAP is submitted; and

(ii) Repayment records for a Federal Perkins loan, including records relating to cancellation and deferment requests, in accordance with the provisions of 34 CFR 674.19;

(2)(i) An institution shall keep records relating to a student or parent borrower's eligibility and participation in the FFEL or Direct Loan Program for three years after the end of the award year in which the student last attended the institution; and

(ii) An institution shall keep all other records relating to its participation in the FFEL or Direct Loan Program, including records of any other reports or

forms, for three years after the end of the award year in which the records are submitted; and

(3) An institution shall keep all records involved in any loan, claim, or expenditure questioned by a title IV, HEA program audit, program review, investigation, or other review until the later of—

(i) The resolution of that questioned loan, claim, or expenditure; or

(ii) The end of the retention period applicable to the record.

(f) *Examination of records.* (1) An institution that participates in any title IV, HEA program and the institution's third-party servicer, if any, shall cooperate with an independent auditor, the Secretary, the Department of Education's Inspector General, the Comptroller General of the United States, or their authorized representatives, a guaranty agency in whose program the institution participates, and the institution's accrediting agency, in the conduct of audits, investigations, program reviews, or other reviews authorized by law.

(2) The institution and servicer must cooperate by—

(i) Providing timely access, for examination and copying, to requested records, including but not limited to computerized records and records reflecting transactions with any financial institution with which the institution or servicer deposits or has deposited any title IV, HEA program funds, and to any pertinent books, documents, papers, or computer programs; and

(ii) Providing reasonable access to personnel associated with the institution's or servicer's administration of the title IV, HEA programs for the purpose of obtaining relevant information.

(3) The Secretary considers that an institution or servicer has failed to provide reasonable access to personnel under paragraph (f)(2)(ii) of this section if the institution or servicer—

(i) Refuses to allow those personnel to supply all relevant information;

(ii) Permits interviews with those personnel only if the institution's or servicer's management is present; or

(iii) Permits interviews with those personnel only if the interviews are tape recorded by the institution or servicer.

(4) Upon request of the Secretary, or a lender or guaranty agency in the case of a borrower under the FFEL Program, an institution promptly shall provide the requester with any information the institution has respecting the last known address, full name, employer, and employer address of a recipient of

title IV funds who attends or attended the institution.

(Authority: 20 U.S.C. 1070a, 1070b, 1078, 1078-1, 1078-2, 1078-3, 1082, 1087, 1087a et seq., 1087cc, 1087hh, 1088, 1094, 1099c, 1141, 1232f; 42 U.S.C. 2753; and section 4 of Pub. L. 95-452, 92 Stat. 1101-1109)

§ 668.25 [Amended]

3. Section 668.25(c)(4)(i) is amended by removing "§ 668.23(h)" and adding, in its place, "§ 668.24".

§ 668.26 [Amended]

4. Section 668.26(b)(3) is amended by removing the word "five" and adding, in its place, the word "three".

PART 674—FEDERAL PERKINS LOAN PROGRAM

5. The authority citation for Part 674 continues to read as follows:

Authority: 20 U.S.C. 1087aa-1087ii and 20 U.S.C. 421-429, unless otherwise noted.

6. Section 674.19 is amended by revising paragraph (d); removing paragraph (e)(4)(v) and redesignating paragraph (e)(4)(vi) as paragraph (e)(4)(v); and revising paragraphs (e)(1) and (e)(3), and the heading of paragraph (e)(4) to read as follows:

§ 674.19 Fiscal procedures and records.

* * * * *

(d) *Records and reporting.* (1) An institution shall establish and maintain program and fiscal records that are reconciled at least monthly.

(2) Each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall insure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

(e) * * *

(1) *Records.* An institution shall follow the records retention and examination provisions in this part and in 34 CFR 668.24.

* * * * *

(3) *Period of retention of repayment records.* An institution shall retain repayment records, including cancellation and deferment requests, for at least three years from the date on which a loan is assigned to the Department of Education, canceled, or repaid.

(4) *Manner of retention of promissory notes and repayment schedules.*

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PART 675—FEDERAL WORK-STUDY PROGRAMS

7. The authority citation for Part 675 continues to read as follows:

Authority: 42 U.S.C. 2571-2756b, unless otherwise noted.

8. Section 675.19 is amended by removing paragraphs (b)(2)(v) through (b)(2)(vii), (b)(4), (b)(5), and (c); adding the word "and" at the end of paragraph (b)(2)(iii); removing the semicolon at the end of paragraph (b)(2)(iv), and adding, in its place, a period; and revising paragraph (b)(1) to read as follows:

§ 675.19 Fiscal procedures and records.

* * * * *

(b) * * * (1) An institution shall follow the records retention and examination provisions in this part and in 34 CFR 668.24.

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PART 676—FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

9. The authority citation for Part 676 continues to read as follows:

Authority: 20 U.S.C. 1070b-1070b-3, unless otherwise noted.

10. Section 676.19 is amended by removing paragraph (c); and revising paragraph (b) to read as follows:

§ 676.19 Fiscal procedures and records.

* * * * *

(b) *Records and reporting.* (1) An institution shall follow the records retention and examination provisions in this part and in 34 CFR 668.24.

(2) An institution shall establish and maintain program and fiscal records that are reconciled at least monthly.

(3) Each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall insure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

PART 682—FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM

11. The authority citation for Part 682 continues to read as follows:

Authority: 20 U.S.C. 1071 to 1087-2, unless otherwise noted.

12. Section 682.414 is amended by revising paragraph (a)(2); redesignating paragraphs (a)(3) and (a)(4) as paragraphs (a)(4) and (a)(5), respectively; adding a new paragraph (a)(3); removing the words "paragraphs (a)(3)(ii) (C)-(K) of this section on microfilm, optical disk, or other machine readable format" in redesignated paragraph (a)(5)(i), and adding, in its place, "paragraphs (a)(4)(ii) (C)-(K) of this section in accordance with 34 CFR Part 668"; removing paragraph (c) introductory

text; removing paragraphs (c)(1) and (c)(2); redesignating paragraph (c)(3) as (c)(1); and adding a new paragraph (c)(2) to read as follows:

§ 682.414 Records, reports, and inspection requirements for guaranty agency programs.

(a) * * *

(2) Except as provided in paragraph (a)(3) of this section, the guaranty agency shall retain records for each loan for at least five years after the loan is paid in full or has been determined to be uncollectible in accordance with the agency's write-off procedures. However, in particular cases the Secretary may require the retention of records beyond this minimum period. For the purpose of this section, the term "paid in full" includes loans paid by the Secretary due to the borrower's death (or student's death in the case of a PLUS loan), the borrower's permanent and total disability or bankruptcy, the discharge of the borrower's loan obligation because of attendance at a closed school, or because the student's eligibility to borrow had been falsely certified by the school.

(3) A guaranty agency shall retain a copy of the audit report required under Sec. 682.305(c) for not less than five years after the report is issued.

* * * * *

(c) *Inspection requirements.* (1) * * *

(2) For purposes of complying with this paragraph, references to an institution in 34 CFR 668.24(f)(1) through (3) shall mean a guaranty agency or its agent.

13. Section 682.610 is amended by revising paragraphs (a) and (b); removing the word "or" at the end of paragraph (c)(2)(ii); removing the period at the end of paragraph (c)(2)(iii), and adding, in its place, "; or"; redesignating paragraph (f)(2) as paragraph (c)(2)(iv); removing the words "the school shall notify the holder of the loan within 30 days thereafter, either directly or through the guaranty agency" in redesignated paragraph (c)(2)(iv); and removing paragraphs (d), (e), and (f) to read as follows:

§ 682.610 Administrative and fiscal requirements for participating schools.

(a) *General.* Each school shall—

(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in the regulations in this part and in 34 CFR part 668;

(2) Follow the records retention and examination provisions in this part and in 34 CFR 668.24; and

(3) Submit all reports required by this part and 34 CFR part 668 to the Secretary.

(b) *Loan record requirements.* In addition to records required by 34 CFR part 668, for each Stafford, SLS, or PLUS loan received by or on behalf of its students, a school shall maintain a copy of the loan application or data electronically submitted to the lender, which includes—

(1) The name of the lender;

(2) The address of the lender;

(3) The amount of the loan and the period of enrollment for which the loan was intended; and

(4) In the case of a Stafford or SLS loan—

(i) For loans delivered to the school by check, the date the school endorsed each loan check;

(ii) The date or dates of delivery of the loan proceeds by the school to the student; and

(iii) For loans delivered by electronic funds transfer, a copy of the student's written authorization required under § 682.604(c)(3) to transfer the initial and subsequent disbursements of each FFEL program loan.

* * * * *

PART 685—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

14. The authority citation for Part 685 continues to read as follows:

Authority: 20 U.S.C. 1087a et seq., unless otherwise noted.

15. Section 685.309 is amended by revising paragraphs (a)(1), (c), and (d); removing paragraphs (e), (f), and (g); redesignating paragraphs (h), (i), and (j) as paragraphs (e), (f), and (g), respectively, to read as follows:

§ 685.309 Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program.

(a) * * *

(1) Establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in this part and in 34 CFR part 668; and

* * * * *

(c) *Record retention requirements.* An institution shall follow the records retention and examination requirements in this part and in 34 CFR 668.24.

(d) *Accounting requirements.* A school shall follow accounting requirements in 34 CFR 668.24(b).

* * * * *

PART 690—FEDERAL PELL GRANT PROGRAM

16. The authority citation for Part 690 continues to read as follows:

Authority: 20 U.S.C. 1070a, unless otherwise noted.

17. Section 690.81 is amended by revising paragraph (a) to read as follows:

§ 690.81 Fiscal control and fund accounting procedures.

(a) An institution shall follow provisions for maintaining general fiscal records in this part and in 34 CFR 668.24(b).

* * * * *

18. Section 690.82 is revised to read as follows:

§ 690.82 Maintenance and retention of records.

(a) An institution shall follow the records retention and examination provisions in this part and in 34 CFR 668.24.

(b) For any disputed expenditures in any award year for which the institution cannot provide records, the Secretary determines the final authorized level of expenditures.

(Approved by the Office of Management and Budget under control number 1840-0681)
(Authority: 20 U.S.C. 1070a, 1232f)

[FR Doc. 96-23390 Filed 9-12-96; 8:45 am]

BILLING CODE 4000-01-P