

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
1262	School Definitions	<p>2.3.B U.S Department of Education Publications 4.1 Institutional Eligibility 4.1.C Maintaining Eligibility 4.1.D Loss of Eligibility Appendix G</p> <p>Incorporates a definition of “proprietary institution” and “postsecondary vocational institution.” Manual text has been revised to use these terms consistently, as applicable, and to ensure the accurate use of existing, defined terms such as “institution of higher education” and “school.” Additional corrections of the same nature will be accomplished through the technical editing process.</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> , except that provisions regarding a postsecondary program for students with intellectual disabilities are effective July 1, 2010.

Batch 184 (Approved)

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: February 16, 2012

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with changes/no changes	Feb 16

SUBJECT: School Definitions

AFFECTED SECTIONS: 2.3.B U.S. Department of Education Publications
4.1 Institutional Eligibility
4.1.C Maintaining Eligibility
4.1.D Loss of Eligibility
Appendix G

POLICY INFORMATION: 1262/Batch 184

EFFECTIVE DATE/TRIGGER EVENT: Retroactive to the implementation of the *Common Manual*, except that provisions regarding a postsecondary program for students with intellectual disabilities are effective July 1, 2010.

BASIS:

HEA §101 and 102; §600.4; §600.5; §600.6; *Federal Register* dated October 29, 2009, pp. 55914 and 55947; 11-12 FSA Handbook, Volume 2, Chapters 1, pp. 2-2 to 2-8 and Chapter 2, pp. 2-16 to 2-18.

CURRENT POLICY:

Current policy does not include definitions of “proprietary institution” and “postsecondary vocational institution.” In addition, current policy does not consistently use accurate terminology when referring to various types of schools.

REVISED POLICY:

Revised policy incorporates definitions of “proprietary institution” and “postsecondary vocational institution.” Manual text has been revised to use these terms consistently, as applicable, and to ensure the accurate use of existing, defined terms such as “institution of higher education” and “school.” Additional corrections of the same nature will be accomplished through the technical editing process.

REASON FOR CHANGE:

This change is necessary to address comments received on Policy 1221 in Batch 171.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 2.3.B, page 12, column 2, paragraph 6, as follows:

The Blue Book

This publication provides guidance to those offices and individuals responsible for managing, keeping records of, accounting for, and reporting on the use of federal funds at ~~institutions~~ schools that participate in the Title IV programs . . .

Revise Section 4.1, page 2, column 1, paragraph 2, as follows:

4.1
~~Institutional~~ School Eligibility

The following types of schools may apply for participation ~~as an eligible institution of higher education~~ in the Title IV programs:

- Public or private nonprofit institutions of higher education.
[§600.4; §600.9]
- Proprietary institutions of higher education (private and for-profit).
[§600.5; §600.9]
- Public or private nonprofit postsecondary vocational institutions.

Revise Subsection 4.1.A, page 5, column 1, bullet 3, as follows:

- A proprietary ~~school~~ institution will derive at least 10% of its revenue for each fiscal year from sources other than Title IV funds . . .

The Department will notify a school in writing whether the school qualifies in whole or in part ~~as an eligible institution of higher education for participation in the Title IV programs.~~ The Department also notifies the school ~~also is notified~~ of the Title IV programs in which it is eligible to participate. If only a portion of the school qualifies for participation in the Title IV programs, the Department will specify in the notice each location and/or educational program that qualifies.

~~If only a portion of the school qualifies as an eligible institution of higher education, the Department will specify in the notice each location and/or educational program that qualifies.~~

Revise Subsection 4.1.C, page 11, column 1, paragraph 1, as follows:

Eligible Programs

To qualify as ~~an eligible institution of higher education~~ a school that is eligible to participate in the Title IV programs, ~~a~~ the school must offer at least one eligible program, although not all programs ~~at an institution that the school offers~~ may be eligible. A school may offer programs that meet different eligible-program definitions.

...

Revise Subsection 4.1.C, page 12, column 1, paragraph 1, as follows:

A program offered by a proprietary ~~school~~ institution and leading to a baccalaureate degree in liberal arts is also an eligible program . . . The baccalaureate degree in liberal arts must be a regular program that the ~~school's proprietary institution's~~ recognized regional accreditation agency or organization determined to be a general instructional program. . .

Revise Subsection 4.1.D, page 15, column 1, paragraph 1, as follows:

90/10 rule for Proprietary ~~Schools~~ Institutions

Federal regulations stipulate that a proprietary ~~school~~ institution must receive no more than 90% of its revenue from Title IV funds . . .

If a proprietary ~~school~~ institution fails to satisfy the 90/10 rule during its most recently completed fiscal year, ~~the school~~ it has no more than 45 days . . . A proprietary ~~school's~~ institution's certification becomes provisional at the start of a fiscal year after ~~the school~~ it fails to satisfy the 90/10 rule for the preceding fiscal year. The ~~school's~~ institution's provisional certification ends on either of the following:

- The expiration date of the ~~school's proprietary institution's~~ program participation agreement, in effect on the date that the ~~school~~ institution failed to satisfy the 90/10 rule.
- The date the ~~school~~ proprietary institution loses its eligibility to participate in the Title IV programs. The ~~school~~ institution loses its eligibility on the last day of the second consecutive fiscal year for which ~~the school~~ it failed to satisfy the 90/10 rule.

To regain eligibility to participate in the Title IV programs, a proprietary ~~school~~ institution must demonstrate that it has complied with the state, federal, or tribal licensing and /or authorization, the accreditation, and the financial responsibility requirements for a minimum of two fiscal years after the end of the fiscal year in which ~~the school~~ it became ineligible.
[§600.9; §668.28(c)]

Revise Appendix G, page 13, column 1, paragraph 3, as follows:

Institution of Higher Education (Institution): A public or private nonprofit school that:

- ...
- Admits as a regular student only a person who meets any one of the following conditions:
 - Has a certificate of graduation from a secondary school or a recognized equivalent.
[HEA §101(a)(1); §600.4(a)(2)(i) and (ii)]
 - Is beyond the age of compulsory school attendance in the state in which the school is physically located ~~and has demonstrated the ability to benefit (see Ability to Benefit (ATB)) from the school's education or training program.~~
[HEA §101(b)(2)(A); §600.4(a)(2)(iii)]
 - ...
 - ...
- Is legally authorized in each state in which it is physically located to provide a program of education beyond secondary school. See the subheading "State Authorization" in the introduction to Chapter 4 for information about requirements that may apply to an institution of higher education that offers postsecondary education through distance or correspondence education.
[HEA §101(a)(2); §600.4(a)(3); §600.9]
- Provides any one of the following:
 - ...
 - ~~At a public or other nonprofit school, a~~ A training program of at least one academic year that leads to a certificate, degree, or other recognized credential and prepares students for gainful employment in a recognized occupation.
[HEA §101(a)(4) and (b)(1); §600.4(a)(4)(i)(C)]
 - ...
- May provide a comprehensive transition and postsecondary program for students with intellectual disabilities.
[§600.4(a)(4)(ii); 11-12 FSA Handbook, Volume 2, Chapter 1, p. 2-2 and Chapter 2, p. 2-20]
- Meets either of the following conditions:
 - ~~Is a public or other nonprofit school and is~~ The school is accredited by a nationally recognized accrediting agency or association approved by the Department for this purpose, or if not so accredited, is a school that the Department determines will meet the accreditation standards of such an agency or association within a reasonable period of time.
[HEA §101(a)(4) ~~and~~ (5); §600.4(a)(5)(i)]
 - The school is approved by a state agency listed in the *Federal Register* if the school is a public postsecondary vocational institution that seeks to participate only in federal assistance programs.
[§600.(a)(5)(ii); §603]

Also see Proprietary Institution and Postsecondary Vocational Institution. For more general definitions, see Participating School and School. See Subsection 4.1.A for more information about school eligibility conditions.

Revise Appendix G, page 18, column 1, by inserting a new paragraph 4, as follows:

Post-Deferment Grace Period: . . .

Postsecondary Vocational Institution: A public or nonprofit private educational institution that:

- Provides an eligible program of training to prepare students for gainful employment in a recognized occupation.
[HEA §102(c)(1)(A); §600.6(4)(i)]
- May provide a comprehensive transition and postsecondary program for students with intellectual disabilities.
[§600.6(a)(4)(ii); 11-12 FSA Handbook, Volume 2, Chapter 1, p. 2-2 and Chapter 2, p. 2-20]
- Is located in a state (see State).
[§600.6(a)(1)]
- Admits as a regular student only a person who meets any one of the following conditions:
 - Has a certificate of graduation from a secondary school or a recognized equivalent.
[§600.6(a)(2)(i) and (ii)]
 - Is beyond the age of compulsory school attendance in the state in which the school is physically located.
[HEA §102(c)(2)(A); §600.6(a)(2)(iii)]
 - Has completed a secondary school education in a home school setting that is treated as a home school or private school under state law.
[HEA §101(a)(1); HEA§102(c)(1)(B)]
 - Will be dually or concurrently enrolled in the postsecondary vocational institution and a secondary school. However, a school must not award Title IV aid for postsecondary enrollment to a student who is concurrently enrolled in a secondary school (see Section 5.12).
[HEA §101(c)(2)(B)]
- Is legally authorized in each state in which it is physically located to provide a program of education beyond secondary school. See the subheading “State Authorization” in the introduction to Chapter 4 for information about requirements that may apply to a postsecondary vocational institution that offers postsecondary education through distance or correspondence education.
[§600.6(a)(3); §600.9]
- Meets either of the following conditions:
 - The institution is accredited by a nationally recognized accrediting agency or association approved by the Department for this purpose, or if not so accredited, is an institution that the Department determines will meet the accreditation standards of such an agency or association within a reasonable period of time.
[§600.6(a)(5)(i)]

- The institution is approved by a state agency listed in the *Federal Register* if it is a public postsecondary vocational educational institution that seeks to participate only in federal assistance programs.
[§600.(a)(5)(ii); §603]
- Has been legally authorized to provide and has been continuously providing the same postsecondary educational program(s) to prepare students for gainful employment in a recognized occupation for at least 2 years prior to the date of the institution’s application to participate in the Title IV programs. See 34 CFR 600.6(b) and the FSA Handbook, Volume 2, Chapter 1 for additional information.
[HEA §102(c)(1)(C); §600.6(a)(6); 11-12 FSA Handbook, Volume 2, Chapter 1, p. 2-7]
- Provides any one of the following:
 - An undergraduate program of at least 15 weeks of instructional time and 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. The postsecondary vocational institution may admit students without an associate degree or equivalent.
 - A program of at least 10 weeks of instructional time and 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. The program must be a graduate or professional program, or the institution may admit only students with an associate degree or equivalent.
 - An undergraduate program of at least 10 weeks of instructional time and 300 to 599 clock hours. The postsecondary vocational institution must admit at least some students who do not have an associate degree or the equivalent, and the program must meet additional conditions as described in Subsection 4.1.C.
[11-12 FSA Handbook, Volume 2, Chapter 1, p. 2-2]

Also see Institution of Higher Education and Proprietary Institution. For more general definitions, see Participating School and School. See Subsection 4.1.A for more information about school eligibility conditions.

Post-Withdrawal Disbursement: . . .

Revise Appendix G, page 19, column 1, by inserting a new paragraph 4, as follows:

Promissory Note: . . .

Proprietary Institution (of Higher Education): A for-profit educational institution that:

- Provides a program(s) that meets either of the following conditions:
 - The program trains students for gainful employment in a recognized occupation.
 - The program leads to a baccalaureate degree in liberal arts that the institution has provided since January 1, 2009, and that has been continuously accredited by a recognized regional accrediting agency since October 1, 2007.
[§600.5(i)]
- May provide a comprehensive transition and postsecondary program for students with intellectual disabilities.
[§600.5(a)(5)(ii); 11-12 FSA Handbook, Volume 2, Chapter 1, p. 2-2 and Chapter 2, p. 2-20]
- Is located in a state (see State).

§600.5(a)(2)

- Admits as a regular student only a person who meets any one of the following conditions:
 - Has a certificate of graduation from a secondary school or a recognized equivalent.
§600.5(a)(3)(i) and (ii)
 - Is beyond the age of compulsory school attendance in the state in which the school is physically located.
§600.5(a)(3)(iii)
 - Has completed a secondary school education in a home school setting that is treated as a home school or private school under state law.
[HEA §101(a)(1); HEA§102(b)(1)(B)]
 - Will be dually or concurrently enrolled in the proprietary institution and a secondary school. However, a school must not award Title IV aid for postsecondary enrollment to a student who is concurrently enrolled in a secondary school (see Section 5.12).
[HEA §102(b)(2)(B)]
- Is legally authorized in each state in which it is physically located to provide a program of education beyond secondary school. See the subheading “State Authorization” in the introduction to Chapter 4 for information about requirements that may apply to an proprietary institution that offers postsecondary education through distance or correspondence education.
§600.5(a)(4); §600.9
- Is accredited by a nationally recognized accrediting agency or association approved by the Department for this purpose.
[HEA §102(b)(1)(D); §600.5(a)(6)]
- Has been legally authorized to provide and has been continuously providing the same postsecondary educational program(s) to prepare students for gainful employment in a recognized occupation for at least 2 years prior to the date of the institution’s application to participate in the Title IV programs. See 34 CFR 600.6(b) and the FSA Handbook, Volume 2, Chapter 1 for additional information.
[HEA §102(b)(1)(E) §600.5(a)(7) and §600.5(b); 11-12 FSA Handbook, Volume 2, Chapter 1, p. 2-7]
- Provides any one of the following:
 - An undergraduate program of at least 15 weeks of instructional time and 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. The proprietary institution may admit students without an associate degree or equivalent.
 - A program of at least 10 weeks of instructional time and 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. The program must be a graduate or professional program, or the institution may admit only students with an associate degree or equivalent.
 - A short-term undergraduate program of at least 10 weeks of instructional time and 300 to 599 clock hours. The proprietary institution must admit at least some students who do not have an associate degree or the equivalent, and the program must meet additional conditions as described in Subsection 4.1.C.
[11-12 FSA Handbook, Volume 2, Chapter 1, p. 2-2]

Also see Institution of Higher Education and Postsecondary Vocational Institution. For more general definitions, see Participating School and School. See Subsection 4.1.A for more information about school eligibility conditions.

Proration: . . .

PROPOSED LANGUAGE - COMMON BULLETIN:

School Definitions

Revised policy incorporates definitions of “proprietary institution” and “postsecondary vocational institution.” Manual text has been revised to use these terms consistently, as applicable, and to ensure the accurate use of existing defined terms such as “institution of higher education” and “school.” Additional corrections of the same nature will be accomplished through the technical editing process.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Servicer:

None.

Guarantor:

None.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 15, 2010

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

February 9, 2012

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received from:

AES/PHEAA, Great Lakes, MGA, NASFAA, NCHELP, NSLP, OCAP, PPSV, SCSLC, SLND, TG, TSAC, USA Funds, and VSAC.

Responses to Comments

Many commenters supported this proposal as written. Others provided wordsmithing or other non-substantive suggestions which were incorporated without comment. We appreciate the review of all commenters and their careful consideration of this policy.

Since this proposal was originally drafted, the Department issued the 11-12 revision of the FSA Handbook, Volume 2. FSA Handbook citations in this proposal have been modified accordingly.

COMMENT:

One commenter indicated that, in the proposed glossary definitions of “postsecondary vocational institution” and “proprietary institution,” the proposed policy text should elaborate on the following two issues:

- The school must provide a program to prepare students for gainful employment in a recognized occupation during the 24 months preceding the date of its application for participation in the federal student aid programs.
- A school that offers a short-term program that admits students without an associate degree must have existed for at least one year and must have met the 70 percent completion and placement rate requirements.

Response:

The Committee agrees to include additional information about the “two-year” institutional eligibility condition for postsecondary vocational and proprietary institutions. However, the Committee believes that the commenter’s request concerning “short-term” programs are program eligibility conditions, which are already addressed in Subsection 4.1.C. The Committee believes that it is appropriate to include a cross-reference to that subsection in this text and to enhance the text of Subsection 4.1.C. to clarify that such a program qualifies as an eligible program only if it has been in existence for at least one year. The modification to Subsection 4.1.C will be accomplished through separate policy proposal development.

Change:

Bullets 7 and 8 in the new proposed definition of “postsecondary vocational institution” and “proprietary institution” have been modified as exemplified by the following:

- Has been legally authorized to provide and has been continuously providing the same postsecondary instruction-educational program(s) to prepare students for gainful employment in a recognized occupation for at least 2 years prior to the date of the institution’s application to participate in the Title IV programs. See 34 CFR 600.6(b) and the FSA Handbook, Volume 2, Chapter 1 for additional information.
- Provides any one of the following:
 - = . . .
 - = . . .
 - = An ~~short-term~~ undergraduate program of at least 10 weeks of instructional time and 300 to 599 clock hours. The . . . institution must admit at least some students who do not have an associate degree or the equivalent, and the program must meet additional conditions as described in the ~~Federal Student Aid Handbook, Volume 2, Chapter 2~~ Subsection 4.1.C.

COMMENT:

One commenter requested that the committee add text to the definitions of “institution of higher education,” “postsecondary vocational institution,” and “proprietary institution” to clarify that the school must be authorized in the state in which it offers postsecondary education through distance or correspondence education.

Response:

The Committee believes that a school that offers postsecondary education through distance or correspondence education to students in a state must be authorized in that state only if the state requires the school to be authorized. This provision is already stated in the introduction to Chapter 4, under the subheading “State Authorization.” For this reason, and because these definitions align closely with regulations in 34 CFR 600.4, 600.5, and 600.6 – which stipulate only that the school must be authorized in the state in which it is physically located – the Committee prefers to add a cross-reference to existing text.

Change:

In each definition, the applicable bullet that references state authorization now includes an additional sentence that refers the reader to the subheading “State Authorization” in the introduction to Chapter 4.

jcs/edited-chn