

## Summary of Changes Approved September 2010 through April 2011

This summary lists changes made since the 2010 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved April 21, 2011.

Changes made before the 2010 Annual Update was printed are shown in Appendix H of the Manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 2: About the FFELP</b>			
2.3.C Common Forms	Adds information about this repayment program that was provided in the <i>Federal Register</i> dated July 7, 2010.	July 7, 2010.	1223/172
<b>Chapter 4: School Participation</b>			
Introduction	Provides that in order to participate in Title IV programs, a school must be legally established or authorized by a state to provide postsecondary educational programs to students in the state. The state must have a process to review and appropriately act on complaints concerning the school including enforcing applicable state laws. State requirements are categorized by the Department on the basis of a school's authority to operate.	School eligibility on or after July 1, 2011.	1229/174
4.1 Institutional Eligibility			
4.1.C Maintaining Eligibility			
4.1.D Loss of Eligibility			
4.4.B Student Consumer Information	Also requires a school to provide a student with the name of its accrediting agency, state, federal or tribal licensing and/or authorization entity, and applicable contact information for filing a complaint with each accreditor and any state approval or licensing entity, as well as any other relevant state official or agency that would appropriately handle a student's complaint.  A new glossary definition for "state authorization" has been incorporated.		
4.1.A Establishing Eligibility	Permits the school that is required to make a good faith effort to distribute voter registration forms to comply with this requirement electronically.	Voter registration information distributed by a school on or after August 14, 2008.	1219/171
4.1.A Establishing Eligibility	Removes the list of permissible incentives and clarifies that incentive compensation cannot be based in any part on the success of securing enrollments or financial aid.  Also removes the definition of "commissioned salesperson" from the Glossary.	Incentive compensation provided by a school to a person or entity on or after July 1, 2011.	1232/175
4.1.A Establishing Eligibility	Permits a school, for a specified time period, to certify loans of the same type under both programs for the same borrower even if the certifications apply to the same loan period.	None. These provisions were implemented and enforced by the Department.	1239/176

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
4.1.B Written Agreements between Schools 4.4.B Student Consumer Information	<p>Provides that if the written agreement is between two or more eligible schools owned or controlled by the same individual, partnership, or corporation, the educational programs offered under those written agreements are considered eligible programs if they meet all other eligibility requirements.</p> <p>Also states that an eligible school may enter into an agreement with an ineligible organization that is not a school.</p> <p>Also includes the requirement that a school that offers an educational program under an agreement with another school or organization must disclose certain information to its students and prospective students.</p>	Written agreements entered into by schools on or after July 1, 2011.	1230/174
4.1.C Maintaining Eligibility 4.4.B Student Consumer Information	<p>Includes information about school reporting and disclosure requirements for any program offered by a postsecondary vocational institution; for any program offered by a proprietary institution; and for any program that is offered by an institution of higher education and is at least one academic year in length; leads to a certificate or other non-degree recognized credential, and prepares students for gainful employment in a recognized occupation.</p> <p>Also includes information about the school requirement to provide the Department with a notice when the school intends to offer a new program that prepares students for gainful employment in a recognized occupation.</p>	<p>A new gainful employment educational program offered by a school in which initial enrollment begins after July 1, 2011.</p> <p>Gainful employment reporting and disclosure provided by a school on or after July 1, 2011.</p>	1240/177
4.1.E School Misrepresentation	Incorporates new language that prohibits schools from making false, erroneous or misleading statements to current, prospective, or graduating students.	Information provided by a school on or after July 1, 2011.	1236/176
4.2 Administrative Capability Standards	Requires a school to develop and follow procedures to evaluate the validity of student's high school completion if the school or the Department has reason to believe that the high school diploma is not valid or the student obtained a diploma from an entity that does not provide secondary school education.	Determinations by a school or the Department that a student's claim of high school completion is suspect on or after July 1, 2011, beginning with applicants who complete a FAFSA for the 2011-2012 award year.	1233/175

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
4.2 Administrative Capability Standards	<p>Provides additional information regarding assessing satisfactory academic progress (SAP). A school must assess SAP at the end of an increment that is no longer than half of the program's length, or one academic year, whichever is less. A school that elects to evaluate SAP after each payment period has more flexibility in Title IV funding options than a school that chooses to measure SAP less frequently.</p> <p>Also, states that a school's SAP policy must specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum timeframe. Pace is calculated by dividing the total number of hours the student has successfully completed by the total number of hours the student has attempted. Remedial courses do not have to be included in the pace calculation.</p> <p>Provides regulatory definitions of terms applicable to SAP. The glossary definition of "satisfactory academic progress" has been revised to be more concise.</p>	Satisfactory academic progress evaluations conducted by a school on or after July 1, 2011.	1241/177
4.3.A General School Financial Responsibility Requirements 4.8 Independent Audits	Updates the Manual's policy regarding foreign school requirements for submission of audited financial statements.	Foreign school audited financial statement submissions on or after July 1, 2011.	1237/176
4.4.B Student Consumer Information	Addresses the requirement that schools provide a means by which certain Pell grant-eligible students may receive disbursements of Title IV credit balance funds for necessary books and supplies.	Title IV credit balances to Pell-grant eligible students for necessary books and supplies for the payment period for periods beginning on or after July 1, 2011.	1246/178
<b>Chapter 5: Borrower Eligibility</b>			
5.2.D Exceeding Loan Limits and Prior Overpayments Data Match 5.2.E Prior Default Data Match 5.3 Reinstatement of Title IV Eligibility after Default	Reorganizes Subsection 5.2.D by creating separate subsections for prior overpayment and prior default and retains information about documentation required to prove default resolution in the new subsection for prior default.	None.	1228/173
5.10 Required High School Diploma or Equivalent	Requires a school to develop and follow procedures to evaluate the validity of student's high school completion if the school or the Department has reason to believe that the high school diploma is not valid or the student obtained a diploma from an entity that does not provide secondary school education.	Determinations by a school or the Department that a student's claim of high school completion is suspect on or after July 1, 2011, beginning with applicants who complete a FAFSA for the 2011-2012 award year.	1233/175

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
5.11 Ability-to-Benefit Provisions 5.11.A Testing ATB Students with Special Needs	<p>Incorporates new language that defines what constitutes six semester credit hours, six trimester credit hours, six quarter credit hours and 225 clock hours of college work for an ATB student enrolled in a quarter-credit-hour or clock-hour program.</p> <p>Identifies the point at which students enrolled in courses offered in modules may receive Title IV aid based on the ability to benefit.</p> <p>Defines in general terms which individuals can administer an ATB test and what testing options are available to test individuals with disabilities and non-English-speaking individuals.</p> <p>Also expands guidance related to ATB provisions for individuals with disabilities and non-English-speaking individuals, including that the test must measure basic verbal and quantitative skills and, if the test is administered to an individual whose first language is not English, must be linguistically correct and culturally sensitive.</p>	<p>Ability-to-benefit tests administered on or after July 1, 2011, for students with special needs.</p> <p>For programs measured in quarter credit hours or clock hours, ability- to-benefit determinations made on or after July 1, 2011.</p> <p>For programs of study offered in modules, ability-to-benefit determinations made on or after July 1, 2011.</p>	1242/177
<b>Chapter 6: School Certification</b>			
6.1.B Academic Year Categories	States that a “module” is a course or courses that do not span the entire length of the payment period or period of enrollment in a program including, for example, an intersession that the school combines with a standard term, or mini-sessions that the school combines to form a summer term.	Enrollment periods that begin on or after July 1, 2011.	1238/176
6.4.B When Disbursements May Be Scheduled	Addresses the requirement that schools provide a means by which certain Pell grant-eligible students may receive disbursements of Title IV credit balance funds for necessary books and supplies.	Title IV credit balances to Pell-grant eligible students for necessary books and supplies for the payment period for periods beginning on or after July 1, 2011.	1246/178
6.5 Determining the Student's Cost of Attendance (COA)	Provides the definition of and explains how to determine current-year and prior-year charges for the purpose of determining if a school may pay minor, prior-year charges with current-year Title IV funds.	Prior-year charges paid by a school with current-year funds on or after September 8, 2009.	1213/170
6.9 Defining Enrollment Status	<p>Adds language to Section 6.9 and the definition of “full-time student” to allow repeated courses to count towards a student’s enrollment status for a term-based program in certain situations.</p> <p>Also clarifies that previously-failed courses count toward a student’s Title IV enrollment status. Previously-passed coursework that is repeated may be counted only once toward a student’s Title IV enrollment status. Previously-passed coursework that the school requires the student to repeat due to the student failing other coursework may not be counted.</p>	Title IV enrollment status determinations made by the school on or after July 1, 2011.	1231/174

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.A Stafford Annual Loan Limits	<p>Reorganizes information about Stafford annual loan limit changes when an undergraduate student's grade level changes within an academic year.</p> <p>Delineates the effect on annual loan limits for undergraduate grade level changes vs. progression from an undergraduate to a graduate grade level within an academic year.</p> <p>Provides information about annual loan limit changes as a student progresses from undergraduate to graduate grade levels in regular degree programs or in dual-degree programs.</p>	<p>For general grade level changes, retroactive to the implementation of the Common Manual.</p> <p>For grade level changes in a dual-degree program, July 1, 2008, unless implemented by the school no earlier than November 1, 2007.</p>	1234/175
Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students	Removes information regarding proration calculations for Stafford annual loan limits.	Not applicable.	1225/172
<b>Chapter 7: Loan Origination</b>			
7.7.A Earliest Date for Disbursement	Deletes redundant and incomplete references to rules that a school must use in establishing a disbursement schedule from Manual text that addresses lender disbursement.	Upon approval by the <i>Common Manual</i> Governing Board.	1218/170
<b>Chapter 8: Loan Delivery</b>			
8.2.A Initial Notice of Funds 8.3 Required Authorizations 8.7.C Early Delivery 8.7.D Delayed Delivery 8.8 Managing Credit Balances 8.9.B Return of Ineligible Borrower Loan Funds	Addresses the requirement that schools provide a means by which certain Pell grant-eligible students may receive disbursements of Title IV credit balance funds for necessary books and supplies.	Title IV credit balances to Pell-grant eligible students for necessary books and supplies for the payment period for periods beginning on or after July 1, 2011.	1246/178
8.4 Assessing Satisfactory Academic Progress	<p>Provides additional information regarding assessing satisfactory academic progress (SAP). A school must assess SAP at the end of an increment that is no longer than half of the program's length, or one academic year, whichever is less. A school that elects to evaluate SAP after each payment period has more flexibility in Title IV funding options than a school that chooses to measure SAP less frequently.</p> <p>Also, states that a school's SAP policy must specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum timeframe. Pace is calculated by dividing the total number of hours the student has successfully completed by the total number of hours the student has attempted. Remedial courses do not have to be included in the pace calculation.</p> <p>Provides regulatory definitions of terms applicable to SAP. The glossary definition of "satisfactory academic progress" has been revised to be more concise.</p>	Satisfactory academic progress evaluations conducted by a school on or after July 1, 2011.	1241/177

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.7.F Delivery in Credit-Hour Programs Offered in Modules 8.7.G Delivery to Borrowers in Special Circumstances	<p>States that if a student withdraws from a term-based credit-hour program offered in modules during a payment period or, as applicable, period of enrollment, and then resumes enrollment in the same program before the end of the period, the school must determine the student's eligibility to receive funds for which he or she was eligible prior to the withdrawal. This includes funds that were previously returned by the school or the student as the result of the return of Title IV funds calculation.</p> <p>Also clarifies that the school must confirm that the student remains eligible for the funds based on his or her enrollment status at the time of reentry into the program and the student's cost of attendance, taking into account any reduction in the cost of attendance caused by the period of nonattendance.</p>	Withdrawal from a term-based credit-hour program offered in modules on or after July 1, 2011.	1243/177
8.7.I Delivery Methods 8.8 Managing Credit Balances	Provides the definition of and explains how to determine current-year and prior-year charges for the purpose of determining if a school may pay minor, prior-year charges with current-year Title IV funds.	Prior-year charges paid by a school with current-year funds on or after September 8, 2009.	1213/170
8.9.C Return of Unearned Loan Funds	Clarifies that if a student drops to less-than-half-time status, but is still enrolled, the school does not perform a return of Title IV funds calculation and is not required to return a Stafford or PLUS loan disbursement the school previously delivered when the student was enrolled at least half time.	Students who drop to less-than-half-time enrollment on or after the publication date of DCL GEN-00-24.	1222/171
<b>Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
9.4 Withdrawal Dates	<p>States that a school is required to record attendance if any of the following conditions exist:</p> <ul style="list-style-type: none"> <li>• An outside entity requires that the school record attendance.</li> <li>• The school itself has a requirement that its instructors take attendance.</li> <li>• The school or an outside entity has a requirement that can only be met by recording attendance or a comparable process.</li> </ul>	Students who withdraw on or after July 1, 2011.	1235/175
9.4 Withdrawal Dates	<p>Modifies the examples of events that constitute an academically-related activities and clarifies that such activities do not include those at which a student may be present but not academically engaged.</p> <p>Provides new examples of activities that are not considered academically related.</p>	Student withdrawal determinations made by a school on or after July 1, 2011.	1247/178

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
9.4 Withdrawal Dates 9.5.A Return Amounts for Title IV Grant and Loan Programs	<p>States that a student is considered to have withdrawn from a credit-hour program offered in modules if the student does not complete all of the calendar days in the payment period or period of enrollment that the student was scheduled to attend.</p> <p>Clarification is provided for classes the student is “scheduled to attend” in cases when a student drops or adds a course prior to ceasing attendance. A student enrolled in a non-term-based or nonstandard term-based credit-hour program offered in modules is considered to have withdrawn if the student is not scheduled to begin another course within 45 days after the end of the module that the student ceased attending, unless the student is on an approved leave of absence. If a student enrolled in a credit-hour program offered in modules does not earn at least one passing grade in the last course(s) of the last module that he or she was scheduled to attend and the school cannot demonstrate that the student completed the last course(s), the school must assume that the student unofficially withdrew.</p> <p>Clarifies the percentage of the period completed for a student who withdraws from such a program.</p> <p>Provides a decision tree for determining whether a student has withdrawn from a credit-hour program offered in modules, describes cases in which a student who ceases attendance in a credit-hour program offered in modules is not considered to have withdrawn, and describes events that may require a school to disburse unearned aid that was previously returned or canceled due a student’s withdrawal when the student returns to a subsequent module within the same payment period or, as applicable, period of enrollment.</p>	School determinations of a student’s withdrawal from a credit-hour program offered in modules on or after July 1, 2011	1248/178
9.5.A Return Amounts for Title IV Grant and Loan Programs	Addresses the requirement that schools provide a means by which certain Pell grant-eligible students may receive disbursements of Title IV credit balance funds for necessary books and supplies.	Title IV credit balances to Pell-grant eligible students for necessary books and supplies for the payment period for periods beginning on or after July 1, 2011.	1246/178
<b>Chapter 10: Loan Servicing</b>			
10.5.B PLUS and SLS Loan First Payment Due Date 10.5.D Revised Out-of-School Dates before Conversion to Repayment	States that the 30-day payment due date extension to comply with the repayment disclosure requirement is applicable to PLUS loans.	PLUS loans that enter or reenter repayment on or after July 1, 2010.	1214/170

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 11: Deferment and Forbearance			
11.1.I Establishing Repayment after Deferment	States that the 30-day payment due date extension to comply with the repayment disclosure requirement is applicable to PLUS loans.	PLUS loans that enter or reenter repayment on or after July 1, 2010.	1214/170
11.6.D Summer Bridge Extension			
11.20.J Establishing Repayment after Forbearance			
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.A Claim Filing Requirements	Removes and revises language in Subsection 13.1.A that outlines the exceptional performer designation on the Claim Form and removes the Appendix G definition of “exceptional performer.”	Claims originally filed by a lender on or after October 1, 2007.	1224/172
13.8.G Total and Permanent Disability	Clarifies that if a loan was paid in full through involuntary payment within 30 days of a guarantor's receipt of a total and permanent discharge application, the guarantor may assign the loan to the Department but the guarantor must notify the current Total and Permanent Disability Servicer before assigning the loan with a zero dollar balance.	Total and permanent disability loan discharge applications received on or after October 1, 2010.	1226/173
13.8.G Total and Permanent Disability	Clarifies that the Department will refund payments received on an account after the date of the physician's certification on the loan discharge application. For an account in the three-year conditional discharge period, any payments to be refunded will be returned to the borrower at the end of that three-year period. However, under the most recent final rule changes, any payments to be refunded will be returned to the borrower when the Department approves the discharge of the loan(s) if all of the following criteria are met: <ul style="list-style-type: none"><li>• The discharge application was received by the loan holder on or after July 1, 2010.</li><li>• The account is placed in a post-discharge monitoring period.</li></ul>	Discharge Application: Total and Permanent Disability received by the loan holder on or after July 1, 2010.	1227/173
13.9.A Teacher Loan Forgiveness Program	Clarifies that, in the case of a borrower with an outstanding balance on a FFELP or FDLP loan on October 1, 1998, the loan's outstanding balance must be considered paid in full or discharged as of the date the borrower obtains a new loan after October 1, 1998, in order for the new loan to qualify for teacher loan forgiveness.	Teacher loan forgiveness applications or teacher for forgiveness forbearance requests received by a lender on or after May 14, 2010, for new borrowers after October 1, 1998, unless implemented earlier by the guarantor or lender.	1216/173
13.9.C Loan Repayment Program for Civil Legal Assistance Attorneys	Adds information about this repayment program that was provided in the <i>Federal Register</i> dated July 7, 2010.	July 7, 2010.	1223/172
Chapter 15: Federal Consolidation Loans			
15.7 Interest Payment Rebate Fee	Provides a current address for mailing Consolidation loan rebate fees by check and a current process for remitting Consolidation loan rebate fees through the Automated Clearinghouse (ACH).	Effective for Consolidation loan rebate fee payments made by: <ul style="list-style-type: none"><li>• Automated Clearinghouse (ACH) on or after September 9, 2007.</li><li>• Check on or after October 1, 2007</li></ul>	1217/170



Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 16: Cohort Default Rates and Appeals</b>			
16.1 Overview of Cohort Default Rates and Terminology 16.4 School Official Cohort Default Rates, Adjustments, and Appeals 16.4.B School Appeals	Removes the exemption for some historically black colleges and universities (HBCUs) and tribally controlled and Navajo community colleges from the loss of FFELP, FDLP, or Federal Pell Grant Program eligibility.	Official FY 2003 cohort default rates.	1220/171
<b>Chapter 17: Program Reviews</b>			
17.3.A The Preliminary Review	<p>Provides that in order to participate in Title IV programs, a school must be legally established or authorized by a state to provide postsecondary educational programs to students in the state. The state must have a process to review and appropriately act on complaints concerning the school including enforcing applicable state laws. State requirements are categorized by the Department on the basis of a school's authority to operate.</p> <p>Also requires a school to provide a student with the name of its accrediting agency, state, federal or tribal licensing and/or authorization entity, and applicable contact information for filing a complaint with each accreditor and any state approval or licensing entity, as well as any other relevant state official or agency that would appropriately handle a student's complaint.</p> <p>A new glossary definition for "state authorization" has been incorporated.</p>	School eligibility on or after July 1, 2011.	1229/174
<b>Appendix G: Glossary</b>			
Campus-Based Programs	Expands on the current definition by elaborating on the difference between these programs and other Title IV programs.	Upon approval by the <i>Common Manual</i> Governing Board.	1244/177
Commissioned Salesperson	<p>Removes the list of permissible incentives and clarifies that incentive compensation cannot be based in any part on the success of securing enrollments or financial aid.</p> <p>Also removes the definition of "commissioned salesperson" from the Glossary.</p>	Incentive compensation provided by a school to a person or entity on or after July 1, 2011.	1232/175
Exceptional Performer	Removes and revises language in Subsection 13.1.A that outlines the exceptional performer designation on the Claim Form and removes the Appendix G definition of "exceptional performer."	Claims originally filed by a lender on or after October 1, 2007.	1224/172

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Full-Time Student	<p>Adds language to Section 6.9 and the definition of “full-time student” to allow repeated courses to count towards a student’s enrollment status for a term-based program in certain situations.</p> <p>Also clarifies that previously-failed courses count toward a student’s Title IV enrollment status. Previously-passed coursework that is repeated may be counted only once toward a student’s Title IV enrollment status. Previously-passed coursework that the school requires the student to repeat due to the student failing other coursework may not be counted.</p>	Title IV enrollment status determinations made by the school on or after July 1, 2011.	1231/174
Institution of Higher Education (Institution)	Revises the definition of an institution of higher education.	July 1, 2010.	1221/171
Institution-Affiliated Organization	Clarifies that an institution-affiliated organization does not include a lender with respect to any education loan that a lender secures, makes, or otherwise extends to the school’s students or their families.	July 1, 2010.	1215/170
Module	States that a “module” is a course or courses that do not span the entire length of the payment period or period of enrollment in a program including, for example, an intersession that the school combines with a standard term, or mini-sessions that the school combines to form a summer term.	Enrollment periods that begin on or after July 1, 2011.	1238/176
Satisfactory Academic Progress (SAP)	Provides regulatory definitions of terms applicable to SAP. The glossary definition of “satisfactory academic progress” has been revised to be more concise.	Satisfactory academic progress evaluations conducted by a school on or after July 1, 2011.	1241/177
State Authorization	A new glossary definition for “state authorization” has been incorporated.	School eligibility on or after July 1, 2011.	1229/174

Chapter 4 outlines general requirements for [schools](#) participating in the [Federal Family Education Loan Program \(FFELP\)](#). These procedures and criteria reflect both federal regulations and [guarantor](#) policies. Although SLS loans are no longer being made, information on them is included in some sections for reference.

In addition to meeting the terms and conditions of its [Program Participation Agreement \(PPA\)](#) with the Department, a [participating school](#) must comply with:

- [34 CFR Part 99](#) (Family Educational Rights and Privacy), [34 CFR Part 600](#) (Institutional Eligibility), [34 CFR Part 668](#) (General Provisions), and [34 CFR Part 682](#) (FFELP)—as well as other Department directives.
- [State](#), federal, or tribal licensing and/or authorization requirements.
- Guarantor policies, procedures, and requirements.
- [Accrediting agency](#) requirements.
- All other related requirements for schools, as specified in the Higher Education [Act](#) of 1965, as amended.

A participating [foreign school](#) is required to comply with the provisions of the regulations, except to the extent that the Department states in the regulations, or in other official publications or documents, that foreign schools are exempt from certain provisions.

[\[§682.611\]](#)

### State Authorization

In order to participate in Title IV programs, a school must be legally established by a state to provide postsecondary educational programs to students in the state. The state must have a process to review and appropriately act on complaints concerning the school including enforcing applicable state laws. State requirements are categorized by the Department on the basis of a school's authority to operate, as follows:

- A school established by name by a state as a postsecondary educational institution. A school is authorized if it is a public, nonprofit, or for-profit school established by a state and identified by name in a charter, statute, constitutional provision, or official action as an educational institution authorized to provide postsecondary educational programs, including programs leading to a degree or certificate.  
[\[§600.9\(a\)\(1\)\(i\)\(A\)\]](#)

- The school must comply with any applicable state approval or licensure requirements, unless the state exempts the school by name from any requirements based on the school's approval by a Department-recognized [accrediting agency](#) or based on the school being in operation for at least 20 years.

[\[§600.9\(a\)\(1\)\(i\)\(B\)\]](#)

- A school established by a state on the basis of an authorization to conduct business. This includes a for-profit school established by a state to conduct commerce or provide services. If the school is named as a school that is authorized to provide postsecondary educational programs, including programs leading to a degree or certificate, the school is authorized. If the school is not established by name to provide postsecondary educational programs, the school must be approved or licensed by name by a state to provide postsecondary programs, including programs leading to a degree or certificate. In this case, the school must comply with all applicable state approval or licensure requirements; there are no exemptions.
- A school established by a state on the basis of an authorization to operate as a charitable organization. This includes a nonprofit school established by a state to support the public interest or common good. If the school is named as an entity established to provide postsecondary educational programs, including programs leading to a degree or certificate, the school is authorized. If the school is not established by name to provide postsecondary educational programs, the school must be approved or licensed by name by a state to provide postsecondary programs, including programs leading to a degree or certificate. The school must comply with all applicable state approval or licensure requirements; there are no exemptions.
- A religious institution exempted from state authorization by state constitution or law. This includes a nonprofit postsecondary school that is owned, controlled, operated, and maintained by a religious organization lawfully operating as a nonprofit religious corporation. The school must award only religious degrees or certificates in order to be exempt from state approval or licensure requirements.<sup>1</sup>

<sup>1</sup>. Policy 1229 (Batch 174), approved April 21, 2011

- A school established by federal government or an Indian tribe. A public, nonprofit, or for-profit school that is authorized by the federal government or an Indian tribe by name to provide postsecondary educational programs is exempt from state approval or licensure requirements. A federal school must comply with applicable federal requirements and laws. If a school is authorized by an Indian tribe, the school must be located on tribal lands and the tribal government must have a process to review and act on complaints regarding the school and to enforce applicable tribal requirements or laws.

If an institution offers postsecondary education through distance or correspondence education to students in a state in which it is not physically located as determined by the state, the institution must meet any state requirements for it to legally offer postsecondary distance or correspondence education in that state.

[§600.9]

## 4.1

### Institutional Eligibility

The following types of schools may apply for participation as an eligible [institution of higher education](#):

- 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.  
[§600.6; §600.9]<sup>1</sup>

In addition, a school's [branch campus](#) may seek designation as a main campus or freestanding institution if the branch campus has been in existence for at least two years following certification as a branch campus by the Department.

[§600.8]

## 4.1.A

### Establishing Eligibility

To participate in any [Title IV](#) program, a school must establish its eligibility under the Higher Education Act of 1965, as amended, in accordance with the procedures specified by the Department. These procedures are as follows:

- The school must submit an Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App) to the Department to request a determination that it qualifies as an eligible institution.  
[§600.20(a); GEN-05-14]
- The school must include in the E-App a request for certification to participate in the program and must submit all the documentation indicated on that application. To be certified for participation, a school must meet the following standards:
  - The school must meet the qualifications of an eligible institution (see [Section 4.1](#)).
  - The school must meet administrative capability and financial responsibility requirements (see [Sections 4.2](#) and [4.3](#)).
  - If the school is participating for the first time in Title IV programs, and it has not requested and been granted a training waiver, designated school administrators defined by the Department must complete Title IV training within 12 months after the school executes the Program Participation Agreement (PPA). A school that is currently participating in some Title IV programs is not required to have certification training if it is only requesting approval to participate in additional Title IV programs.  
[§668.13(a)(2)]

By entering into a [Program Participation Agreement \(PPA\)](#), the school agrees to comply with all requirements specified in statute and federal regulations, including, but not limited to the following:

- The school will not charge a student a fee for processing or handling any [application](#), form, or data required to determine the student's eligibility for assistance, including the amount of the Title IV assistance.  
[§668.14(b)(3)]

<sup>1</sup> Policy 1229 (Batch 174), approved April 21, 2011

(See subheading “~~Permissible Incentive Compensation~~” later in this subsection for more information, including a ~~list~~ discussion of permissible activities that do not violate this provision).

~~[\$668.14(b)(22)(4)]~~<sup>1</sup>

- The school will not request or accept from any lender any offer of funds to be used for private education loans, including funds from an **opportunity pool**, to students in exchange for the school providing concessions or promises to the lender, including the following:
  - A specified number of **FFELP** loans made, insured, or guaranteed.
  - A specified volume of **FFELP** loans.
  - A **preferred lender arrangement** for **FFELP** loans. ~~[HEA §487(e)(5)]~~
- The school will develop, publish, administer, and enforce a school code of conduct that meets the minimum requirements described in **Subsection 4.1.F**. The code of conduct will apply to the school’s officers, employees, and agents, and each institution-affiliated organization that has a preferred lender arrangement for the purpose of offering **FFELP** or private education loans. The school, and any institution-affiliated organizations that has a Website, must publish the code prominently on its Website. Also, the school must annually inform any of its officers, employees, and agents who have responsibilities with respect to education loans of the code’s provisions. ~~[HEA §151(5); HEA §487(a)(25); DCL GEN-08-12/FP-08-10]~~
- A proprietary school will derive at least 10% of its revenue for each fiscal year from sources other than Title IV funds, as calculated according to the formula for determining non-Title IV revenue in **§668.28**, or be subject to sanctions (see **Subsection 4.1.D**).

The **Department** will notify a school in writing whether the school qualifies in whole or in part as an eligible **institution of higher education**. 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 as an eligible institution of higher education, the Department will specify in the notice each location and/or educational program that qualifies.

Upon being approved by the Department, a school becomes eligible to apply for participation in the **FFELP** with the **guarantor**. For any school, the guarantor must be satisfied that the school has the ability to properly administer the **FFELP** according to federal regulations and the guarantor’s policies before it will approve the school for participation under its **guarantee**.

- ▲ Schools may contact individual guarantors for more information on specific eligibility procedures and required supporting **documentation**. See **Section 1.5** for contact information.

~~Prior to March 30, 2010, a school was permitted to participate in both the **FFELP** and the **Federal Direct Loan Program (FDLP)** simultaneously but was not permitted to certify a loan of the same type (either a Stafford loan or a PLUS loan) under both programs for the same borrower. The school was permitted to certify a Stafford loan under one program and a PLUS loan to benefit the same student under the other program for the same **loan period**. A school may participate in the **FFELP** and the **Federal Direct Loan Program (FDLP)** at the same time.~~

~~For the period between March 30, 2010, and June 30, 2010, a school was permitted to certify for the same student or parent borrower loans of the same type—either Stafford or PLUS—under both the loan programs even if those loans were for the same **period of enrollment**. However, a school is prohibited from certifying loans of the same type (be it Stafford or PLUS) under each program for the same student for the same period of enrollment. A school may, though, certify a PLUS loan under either program, and a Stafford loan under the other program, when the loans benefit the same student for the same period of enrollment. For example, the school may certify a Stafford loan under the **FFELP** and a PLUS loan under the **FDLP** for the same student for the same period of enrollment. [HEA §454(a)(4); 09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-96]~~<sup>2</sup>

### Permissible Incentive Compensation

~~The following are examples of compensation incentives that a school may offer that have been approved by the Department (a school is not limited to offering only these compensation plans, however):~~

- ~~Fixed compensation (annual salary or hourly wage), as long as it is not adjusted more than twice during any 12-month period (with the exception of a cost of living increase that is paid to substantially all full time)~~<sup>3</sup>

<sup>1</sup> Policy 1232 (Batch 175), approved March 17, 2011

<sup>2</sup> Policy 1239 (Batch 176), approved April 21, 2011

<sup>3</sup> Policy 1232 (Batch 175), approved March 17, 2011

- ~~Withdrawn~~ from participation in Title IV programs under a [termination](#), show-cause, [suspension](#), or similar proceeding.
- Had its participation agreement revoked by the Secretary.
- Had its initial certification application or its application for re-certification to participate in Title IV programs denied.  
[§668.5(c)(1)]<sup>1</sup>

The contracted portion of an educational program may cover many situations—for example, a study-abroad program, or a cosmetology training program given wholly by an ineligible cosmetology school under contract with an eligible community college, postsecondary vocational school, or technical school. A baccalaureate [institution](#) does not jeopardize its eligible programs if no more than one [academic year](#) is spent by students at an ineligible institution, such as a [foreign school](#) under the junior-year-abroad concept. At predominantly associate degree-granting institutions, eligible programs are not jeopardized if students spend no more than one semester or one quarter (25% of the total [program of study](#)) studying under contract at an ineligible institution.

A [school](#) may contact the [Department's](#) Institutional Participation Division for a determination of the eligibility of a program based on a written [agreement](#).

The content of a written agreement may vary widely, depending on the interests of the schools involved and the [accrediting agency](#) or [state](#) agency standards. Certain information should be included in all agreements: which school will consider the student [enrolled](#); how much the student's tuition, fees, and room and board will cost at each school; what the student's enrollment status will be at each school; and how reporting the student's enrollment status will be handled. Procedures for calculating financial aid awards, disbursing aid, keeping [records](#), processing [refunds](#), and completing the calculations for the [return of Title IV funds](#) also should be included in the agreement. The school that the student pays is responsible for issuing refunds and returning Title IV funds to the appropriate Title IV loan and grant programs. Additional information on written agreements between schools can be found in [34 CFR 668.5\(d\)](#) and in the [09-10 FSA Handbook, Volume 2, Chapter 7, pp. 2-95 to 2-98](#).

Upon request, a school must provide to the [guarantor](#)—in a timely manner—copies of any written agreement between one of its eligible [schools](#) and another organization where the other organization provides all, or part of, the educational program for students enrolled in the school.

## 4.1.C Maintaining Eligibility

To maintain its eligibility to participate, a school must continue to meet all school eligibility requirements and must administer its loan programs in accordance with all requirements outlined in federal law and regulation, as well as in [guarantor](#) policies and procedures. A guarantor reserves the right to limit, suspend, or terminate a school's eligibility for failure to meet these requirements (see [Chapter 18](#)).

### Reporting Requirements

The school must report to the Department certain specific information regarding its ownership, contact information, the addition of locations, programs of study, the structure of its programs of study, etc.

#### General Reporting Requirements<sup>2</sup>

A school must report to the [Department](#) via the Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App) and report in writing to each applicable guarantor no later than 10 days after any of the following occurs:

- The school undergoes a change in the person(s) exercising substantial control or the person designated as its [Title IV](#) program administrator.  
[§600.21(a)(6) and (7)]
- The school changes its name or address, or the name or address of another location of the school where it offers at least 50% of an educational program.  
[§600.21(a)(1) and (2)]
- The school establishes or closes a location of the school at which it offers at least 50% of an educational program. (See subheading “School and Program Eligibility at Additional Locations” later in this subsection.)  
[§600.21(a)(3) and (8)]

<sup>1</sup>. Policy 1230 (Batch 174), approved February 17, 2011

<sup>2</sup>. Policy 1240 (Batch 177), approved April 21, 2011



- The school decreases its level of program offerings (e.g., drops graduate programs).  
[§600.21(a)(5)]
- The school changes the way it measures program length (such as changing from clock hours to credit hours).  
[§600.21(a)(4)]
- A public school undergoes a change in governance. (See subheading “Change in Governance for a Public School” later in this subsection.)  
[§600.21(a)(9)]

A school’s eligibility does not automatically continue if the preceding types of changes occur. The Department will notify the school if any reported change affects its eligibility and will provide the effective date of such a change in eligibility.  
[§600.21(c)]

A school’s failure to inform the Department and each applicable guarantor of any of the preceding changes may result in adverse action against the school, including loss of eligibility.  
[§600.21(e)]

#### Gainful Employment Reporting

The Department requires reporting of gainful employment data for the following types of programs:

- Any program offered by a postsecondary vocational institution.
- Any program offered by a proprietary institution, with the exception of a liberal arts baccalaureate program.
- Any program offered by an institution of higher education that:
  - Is at least one [academic year](#) in length.
  - Leads to a certificate or other non-degree recognized credential.
  - Prepares students for gainful employment in a recognized occupation.

For each student enrolled in such a program, the school must report the following:

- Information needed to identify the student and the school the student attended.

- If the student began attending a program during the [award year](#), the name and the Classification of Instructional Program (CIP) code of that program.

If the student completed a program during the award year, the school also must report all of the following:

- The name and CIP code of that program, and the date the student completed the program.
- The amounts the student received from private education loans and the amount from the school’s own financing plans that the student owes the school upon completing the program.
- Whether the student matriculated to a higher credentialed program at the school or, if available, evidence that the student transferred to a higher credentialed program at another school.  
[§668.6(a)(1)]

For each program for which gainful employment data reporting is required, the school must report, by name and CIP code, the total number of students enrolled in the program at the end of each award year and identifying information for those students.

A school must provide the required gainful employment data to the Department, as follows:

- No later than October 1, 2011, for information from the 2006-07 award year to the extent that the information is available.
- No later than October 1, 2011, for information from the 2007-08 through 2009-10 award years.
- No earlier than September 30, but no later than the date established by the Department through a notice published in the [Federal Register](#), for information from the most recently completed award year.

For any award year, if a school is unable to provide all or some of the required information, the school must provide an explanation of why the missing information is not available.  
[§668.6(a)(2)]<sup>1</sup>

<sup>1</sup>. Policy 1240 (Batch 177), approved April 21, 2011

**Change of Ownership or Status***Change of Ownership or Status*<sup>1</sup>

If a school experiences a change in ownership that results in a **change in control**, and a training waiver has not been requested and granted, designated school administrators defined by the Department must complete Title IV training within 12 months after the school executes the **Program Participation Agreement (PPA)**.  
[§668.13(a)(2)]

When a private nonprofit, private for-profit, or public school experiences a change of ownership that results in a change of control or a school changes status as a nonprofit, for-profit, or public school, the school's PPA with the Department expires immediately. Such schools cease to qualify as eligible schools for participation in Title IV programs and, unless the Department issues a provisional extension of certification as described below, may not disburse Title IV funds until eligibility has been reestablished.

[§600.20(b)(2)(ii) and (iii); §600.20(f)(2); §600.31]

To continue eligibility to participate in Title IV programs, a school experiencing such a change in ownership or status must submit an E-App so that it is received by the Department no later than 10 business days after the change. The application must include the following documentation:  
[§600.20(g)(1)]

- Any required and fully completed Department forms.  
[§600.20(g)(2)]
- Required documentation of state, federal, or tribal licensing ~~approval~~, and/or authorization.  
[§600.9; §600.20(g)(2)(i)]
- Required documentation of **accrediting agency** approval.  
[§600.20(g)(2)(ii)]
- Audited financial statements of the school's two most recently completed fiscal years.  
[§600.20(g)(2)(iii)]
- Audited financial statements of the new owner's two most recently completed fiscal years or equivalent information for the new owner that is acceptable to the Department.  
[§600.20(g)(2)(iv)]

If the **Department** approves a provisional PPA for the school, the provisional PPA extends the terms and conditions of the PPA that were in effect for the school before the change. The provisional PPA expires on the earlier of:

- The date on which a new PPA is signed with the Department.  
[§600.20(h)(2)(i)]
- The date on which the school is notified by the Department that its application is denied.  
[§600.20(h)(2)(ii)]
- The last day of the month following the month in which a change of ownership occurred, unless the Department extends the provisional PPA on a month-to-month basis, based on criteria described below.  
[§600.20(h)(2)(iii)]

The Department will extend the provisional PPA on a month-to-month basis if, prior to the expiration date, the school provides the Department with the following:

- A "same day" balance sheet that shows the school's financial position as of the date of the ownership change, prepared in accordance with **Generally Accepted Accounting Principles (GAAP)** and **Generally Accepted Government Auditing Standards (GAGAS)**, as published by the U.S. General Accounting Office.  
[§600.20(h)(3)(i)]
- Documentation of state, federal, or tribal licensing and/or authorization approval, if not already provided.  
[§600.9; §600.20(h)(3)(ii)]<sup>2</sup>
- Documentation of **accrediting agency** approval, stating that accreditation is continued under the change, if not already provided.  
[§600.20(h)(3)(iii)]
- A **default** management plan, unless the school is exempt from providing the plan.  
[§600.20(h)(3)(iv); §668.14(b)(15); GEN-05-14]

In addition to reestablishing or continuing eligibility with the Department, the school will also be required to reestablish eligibility with each applicable **guarantor**.

<sup>1</sup>. Policy 1240 (Batch 177), approved April 21, 2011

<sup>2</sup>. Policy 1229 (Batch 174), approved April 21, 2011



## Change in Governance for a Public School

### Change in Governance for a Public School

No later than 10 days after a change in governance, a public school must report the change to the Department and each applicable guarantor. A change in governance for a public school is not considered to be a change of ownership that results in a **change in control**, if the school remains a public school after the change and the new governing authority is in the same state and has acknowledged the school's continued responsibilities under its PPA. ~~No later than 10 days after a change in governance, public schools must report the change to the Department and each applicable guarantor.~~

[§600.21(a)(9); §600.31(c)(7)]

### Eligibility for New or Modified Program of Study

When an eligible **school** adds a new educational program or substantially modifies an existing program, eligibility may not extend automatically to the new program. Instead, the school may be required to apply for approval by the Department to provide Title IV **funds** to students **enrolled** in the new program, which must meet all eligibility requirements. Before adding a new **program of study**, the school should contact the Department for guidance.

~~[§600.10(c)(1)]~~ [§600.20(d)(1)(i)]

The school is ultimately responsible for ensuring that a program is eligible before awarding Title IV funds to students in the program. The school needs to ensure that program length and admissions criteria comply with Title IV requirements, that a degree or certificate is awarded upon completion, that the program is authorized by the appropriate state agency, and that it is included under the notice of accreditation from an **nationally recognized accrediting agency** recognized by the Department for Title IV program approval purposes.

A school is not always required to notify the Department of the addition of new programs. The school itself may determine the program's eligibility ~~if the new in either of the following cases:~~

~~[§600.10(c)(2)]~~

- ~~The additional~~ program leads to an associate, bachelor's, professional, or graduate degree, and the Department has already approved the school for programs at that level.  
[§600.10(c)(1)(2)(i)]
- ~~The additional program prepares students for gainful employment in the same or a related recognized occupation as an educational program that the~~

~~Department has designated as eligible at the school, and the added program is at least 8 semester hours, 12 quarter hours, or 600 clock hours in length.  
[§600.10(c)(2)(ii)]~~

If a school determines incorrectly that an additional program of study satisfies eligibility requirements and does not apply to the Department for approval, the school is liable for repayment of all Title IV funds received by the school for the ineligible program as well as for all funds received by or on behalf of students enrolled in the ineligible program of study from the date of the school's addition of the program.

[§600.10(c)(3)]

### New Programs for Gainful Employment in a Recognized Occupation

A school must notify the Department at least 90 days before the first day of class when it intends to add an educational program that prepares students for gainful employment in a recognized occupation, as defined earlier in this subsection. An "additional" educational program for this purpose is one of the following:

[§600.10(c)(1); §600.20(d)(1)(ii)(A)]

- A program with a CIP code under the taxonomy of instructional program classifications and descriptions developed by the Department's National Center for Education Statistics that is different from any other program offered by the school.
- A program that has the same CIP code as another program offered by the school but leads to a different degree or certificate.
- A program that the school's accrediting agency determines to be an additional program.

[§600.10(c)(2)]

A school's notice to the Department of the school's intent to offer an additional educational program that prepares students for gainful employment must provide all of the following:

- A description of how the school determined the need for the program and how the program was designed to meet local market needs, or for an online program, regional or national market needs. This description must contain any wage analysis the school may have performed, including any consideration of Bureau of Labor Statistics data related to the program.<sup>1</sup>

<sup>1</sup>. Policy 1240 (Batch 177), approved April 21, 2011

- A description of how the program was reviewed or approved by, or developed in conjunction with, business advisory committees, program integrity boards, public or private oversight or regulatory agencies, and businesses that would likely employ graduates of the program.
- Documentation that the program has been approved by its accrediting agency or is otherwise included in the school's accreditation by its accrediting agency, or comparable documentation if the school is a public postsecondary vocational school approved by a recognized state agency for the approval of public postsecondary vocational education in lieu of accreditation.
- The date of the first day of class of the new program. [\[§600.20\(d\)\(2\)\]](#)

The school may proceed to offer the program described in its notice, unless the Department advises the school at least 30 days before the first day of class that the program must be approved. A school that does not provide a timely notice to the Department must obtain approval for the new program.

[\[§600.20\(d\)\(1\)\(ii\)\(B\) and \(C\)\]](#)<sup>1</sup>

### Eligible Programs

To qualify as an eligible [institution of higher education](#), a school must offer at least one eligible program, although not all programs at an institution may be eligible. A school may offer programs that meet different eligible-program definitions.

A school may use direct assessment instead of credit hours or clock hours, as a measure of student learning. The assessment must be consistent with the school's or program's accreditation. The Department must determine whether such a program is an eligible program for Title IV purposes.

[\[HEA §481\(b\)\(4\); DCL GEN-06-05\]](#)

A public or private nonprofit [institution of higher education](#) must meet the eligibility requirements noted in the introduction to [Chapter 4](#), must be a nonprofit school, must meet academic-year requirements (see [Section 6.1](#)), and must offer one or more of the following:

- A program that leads to an associate, bachelor's, professional, or graduate degree. [\[§668.8\(c\)\(1\)\]](#)

- A program of at least two [academic years](#) in duration that is acceptable for full credit toward a bachelor's degree. [\[§668.8\(c\)\(2\)\]](#)
- A program of at least one academic year in duration that leads to a certificate, degree, or other recognized credential and that prepares students for gainful employment in a recognized occupation. [\[§668.8\(c\)\(3\)\]](#)

Proprietary institutions of higher education and public and private nonprofit postsecondary vocational institutions must meet all eligibility criteria in the introduction to [Chapter 4](#); must provide training for gainful employment in a recognized occupation; must have been legally authorized to give (and have been giving) postsecondary instruction for at least two consecutive years; and must offer one of three types of eligible programs:

- A program that provides at least 600 [clock hours](#), 16 semester or trimester hours, or 24 quarter hours of undergraduate instruction offered during a minimum of 15 [weeks](#), beginning on the first day of classes and ending on the last day of classes or examinations. The program may admit as regular students persons who have not completed an associate degree or the equivalent. [\[§668.8\(d\)\(1\)\]](#)
- A program that provides at least 300 clock hours, 8 semester or trimester hours, or 12 quarter hours of instruction offered during a minimum of 10 weeks, beginning on the first day of classes and ending on the last day of classes or examinations. The program must be a graduate or professional program or must admit as regular students only persons who have completed an associate degree or the equivalent. [\[§668.8\(d\)\(2\)\]](#)
- A "short-term" program that provides at least 300 but less than 600 clock hours of instruction during a minimum of 10 weeks, beginning on the first day of classes and ending on the last day of classes or examinations. The program must admit as regular students some persons who have not completed an associate degree or the equivalent. These programs are eligible only for [FFELP](#) purposes. The institution must have a substantiated completion rate and a placement rate of at least 70%. The number of clock hours provided in the program must not exceed by more than 50% the minimum number of clock hours required for training in the recognized occupation for which the

<sup>1</sup> Policy 1240 (Batch 177), approved April 21, 2011

The school must use the resulting number of equivalent credit hours to determine if a program is eligible under the program requirements. For a program to qualify as eligible by providing at least 16 semester or trimester credit hours or 24 quarter credit hours, the program must include at least 480 clock hours of instruction. For a program to qualify as eligible by providing at least 8 semester or trimester credit hours or 12 quarter credit hours, the program must include at least 240 clock hours of instruction.

A program that fails to include the minimum number of equivalent semester, trimester, or quarter credit hours of instruction does not qualify as an eligible program regardless of whether the [Department](#) previously designated that program as an eligible program. A school may not deliver the proceeds of any loan to a student [enrolled](#) in such a program regardless of when that program began. The school must return to the lender any loan funds delivered to or on behalf of students enrolled in a program that does not qualify as an eligible program.

[DCL GEN-95-38; 09-10 FSA Handbook, Volume 2, Chapter 2, pp. 2-17 to 2-18]

### School and Program Eligibility at Additional Locations

The eligibility of a school and its programs does not automatically include each separate location of the school. When a school adds a licensed and accredited location that offers at least 50% of an educational program, the school must report specific information to the Department by submitting an E-App and other required documentation. Further information on these requirements can be found in [§600.20](#) and in the [09-10 FSA Handbook, Volume 2, Chapter 5, pp. 2-63 to 2-64](#). Generally, after reporting to the Department, a school may immediately deliver Title IV funds to eligible students attending the added location. However, a school must have approval from the Department before it can deliver Title IV funds to eligible students attending the added location if any of the following criteria applies:

- The school is provisionally certified.  
[[§600.20\(c\)\(1\)\(i\)](#)]
- The school is on the reimbursement or cash monitoring system of payment.  
[[§600.20\(c\)\(1\)\(ii\)](#)]
- The school has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in Title IV programs during that year.  
[[§600.20\(c\)\(1\)\(iii\)](#)]

- The school would be subject to a loss of eligibility due to its [cohort default rate](#) if it adds the location.  
[[§600.20\(c\)\(1\)\(iv\)](#)]
- The school has been notified by the Department that it must apply for approval of an additional location or educational program.  
[[§600.20\(c\)\(1\)\(v\)](#)]<sup>1</sup>

A school that conducts a [teach-out](#) at a location of a closed school may apply to have the location approved as a permanent additional location if the closed school's teach-out plan has been approved by its [accrediting agency](#) and if the Department took a [limitation](#), [suspension](#), and [termination](#) (LS&T) or [emergency action](#) against the school before or after its closing. The school providing the teach-out is not required to satisfy the proprietary and postsecondary vocational school requirement of being in existence for 2 years. If the closed school and teach-out schools are not related parties and do not have common ownership or management, neither is the school providing the teach-out responsible for any liabilities of the closed school nor will the default rate of the closed school be included in the calculation of the teach-out school's [cohort default rate](#) (see [Section 16.2](#)). However, as a condition for approving the additional location, the Department may require that any payment(s) from the school conducting the teach-out to the owners or related parties of the closed school be used to satisfy the liabilities owed by the closed school.

[[§600.32\(d\)](#)]

### Eligibility Change for Branch Campus

If a school wishes to convert an eligible location to a [branch campus](#), the school must apply to the [Department](#) and wait for approval before making such a conversion. While waiting for such approval, the school may continue to deliver [Title IV](#) funds to students attending that location.  
[[§600.20\(c\)\(5\)](#); [§600.20\(f\)\(4\)](#)]

If a school's branch campus is accredited separately, and the school wants the branch campus to be granted separate eligibility and be separately funded, the branch campus of the school must be in existence for at least 2 years following certification by the Department as a branch campus. The school's branch campus may then seek designation as a main campus or freestanding institution by following the procedures in [Subsection 4.1.A](#) on establishing eligibility.  
[[§600.8](#)]

<sup>1</sup> Policy 1240 (Batch 177), approved April 21, 2011

Department that it exceeds the 50% threshold because it serves, through government contracts, significant numbers of such students. No more than 40% of the school's total enrollment may consist of students who lack a high school diploma, or its equivalent, and who are not served through the government contracts.

[§600.7(a)(1)(iv) and (d)]

### 90/10 Rule for Proprietary Schools

Federal regulations stipulate that a proprietary school must receive no more than 90% of its revenue from [Title IV](#) funds. This requirement is known as the 90/10 rule. The methods for determining the revenue percentages are found in [§668.28\(a\) and \(b\)](#). The definitions for the revenue components in the 90/10 calculation are provided in [§668.28\(a\) and \(b\)](#) and the formula for calculating the revenue percentage is detailed in [Appendix C to Subpart B of Part 668](#).

If a proprietary school fails to satisfy the 90/10 rule during its most recently completed fiscal year, the school has no more than 45 days after the end of that period to report to the Department and each applicable guarantor that it did not satisfy the 90/10 rule for that period. A proprietary school's certification becomes provisional at the start of a fiscal year after the school fails to satisfy the 90/10 rule for the preceding fiscal year. The school's provisional certification ends on either of the following:

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

To regain eligibility to participate in Title IV programs, a proprietary school 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 became ineligible.

[§600.9; §668.28(c)]<sup>1</sup>

### Close-Out Procedures

When a school closes or otherwise loses its eligibility for continued participation, federal regulations require that the school perform a series of close-out procedures. The school

also is required to implement the close-out procedures of the appropriate [state](#) licensing authority.

[§600.5; §600.7; §600.40; §668.26]

### Delivery of Proceeds in Cases of Loss of School Eligibility

A school's loss of eligibility impacts its ability to deliver Title IV funds to students. See [Subsection 7.7.H](#) and [Section 8.11](#) for additional information regarding the [disbursement](#) and delivery of funds in the case of loss of school eligibility or certification.

## 4.1.E School Misrepresentation

Misrepresentation is defined as any false, erroneous, or misleading statement by an eligible school; one of its representatives; or any ineligible school, organization, or person with whom the eligible school has an agreement to provide educational programs; or marketing, advertising, recruiting, or admissions services, made directly or indirectly to a student, a prospective student, any member of the public, an accrediting agency, a state agency, or the Department. A misleading statement is any communication made in writing, visually, orally, or through another means that has the capacity, likelihood, or tendency to deceive or confuse.

"Substantial misrepresentation" is defined as any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. If the Department determines that an eligible school has engaged in substantial misrepresentation, the Department may:

- Revoke the school's Title IV [program participation agreement](#);
- Impose limitations on the school's participation in the Title IV programs;
- Deny a participation application made on behalf of a school; and
- Initiate an LS&T action against the school under [§668, Subpart G](#).

[§668.71]

For detailed information on specific activities that constitute substantial misrepresentation, see [§668.72](#), [§668.73](#), [§668.74](#), and [§668.75](#).<sup>2</sup>

<sup>1</sup> Policy 1229 (Batch 174), approved April 21, 2011

<sup>2</sup> Policy 1236 (Batch 176), approved April 21, 2011

**4.1.E****School Code of Conduct****4.1.F****School Code of Conduct<sup>1</sup>**

As part of its [Program Participation Agreement \(PPA\)](#), a school must develop, publish, administer, and enforce a code of conduct that applies to the school's agents, which includes officers and employees. The school must publish the code of conduct prominently on the school's Website and require that all of the school's agents with responsibilities with respect to FFELP or private education loans be informed annually of the provisions of the code of conduct.

[§601.21(a)(2); §668.14(b)(27)]

The code of conduct must prohibit conflicts of interest and include the following:

- A ban on revenue-sharing arrangements. A school may not enter into a revenue-sharing arrangement with any lender. A revenue-sharing arrangement is defined as any arrangement between a school and a lender that provides or issues a FFELP or private education loan to a student or the family of a student attending the school where the school recommends the lender or the loan products of the lender and, in exchange, the lender pays a fee or provides other material benefits, including revenue or profit-sharing, to the school or its agents.  
[HEA §487(e)(1); §601.21(c)(1); DCL GEN-08-12/FP-08-10]
- A gift ban. An [agent](#) employed in the financial aid office or who has responsibilities with respect to FFELP or private education loans may not solicit or receive gifts from a FFELP or private education loan lender, servicer, or guarantor. A "gift" is defined as any gratuity, favor, discount, entertainment, hospitality, loan, or other item having monetary value of more than a *de minimus* amount. Gifts include services such as transportation, lodging, or meals, whether provided *in kind* by purchase of a ticket, or paid in advance or reimbursed after the expense is incurred. Additionally, any gift provided to a family member of a school employee or agent with responsibilities related to FFELP or private education loans is considered a gift if given with the knowledge and permission of the employee or agent where there is reason to believe the

gift was due to the employee's or agent's official position. Exceptions to this gift ban include the following:

- The school may accept brochures, workshops, or trainings using standard materials relating to a loan, default aversion and prevention, or financial literacy.
- The school may accept food, training, or informational material provided as part of a training session designed to improve the service of the FFELP or private education loan lender, guarantor, or servicer if the training contributes to the professional development of the school's officer, employee, or [agent](#).
- The school may accept favorable terms and benefits on a FFELP or private education loan provided to a student employed by the school if those terms and benefits are comparable to those provided to all students at the school.
- A lender or guarantor may conduct [entrance and exit counseling](#) at a school, as long as the school's staff are in control of the counseling and the counseling does not promote the services of a specific lender.
- The school may accept philanthropic contributions from a lender, guarantor, or servicer that are unrelated to education loans or any contribution that is not made in exchange for advantage related to FFELP or private education loans.
- The school may accept education grants, scholarships, or financial aid funds administered by or on behalf of a state.  
[HEA §487(e)(2); §601.21(c)(2); DCL GEN-08-12/FP-08-10]
- A ban on contracting arrangements. A school officer, employee, or agent working in the school's financial aid office or who has responsibilities with respect to FFELP or private education loans may not accept from a lender, or affiliate of any lender, any fee, payment, or other financial benefit as compensation for any type of consulting arrangement or contract to provide services to or on behalf of a lender relating to FFELP or private education loans. However, the following exceptions apply:

<sup>1</sup> Policy 1236 (Batch 176), approved April 21, 2011



- The school must establish and publish reasonable standards for measuring determining whether an otherwise eligible student is making satisfactory academic progress (SAP) in his or her educational program and is eligible to receive Title IV aid. These standards must, at a minimum, conform to the standards detailed in the federal regulations. See Section 8.4 for more details. [[§668.16\(e\); §668.34\(a\)](#)]<sup>1</sup>
- The school must provide required program and fiscal reports in a timely manner.
- The school must show no evidence of significant problems as determined in a [program review](#).
- The [school](#) must participate in the electronic processes that the [Department](#) provides at no substantial charge to the school. These processes will be identified in notices published in the *Federal Register*. The Department expects to provide these notices annually. Schools are not restricted to using only software and services provided by the Department. [[§668.16](#); [§682.203\(a\)](#)]
- A school must annually report to the Department the amount of any reasonable expenses that were paid or provided by a private education loan lender or group of lenders to an [agent](#) of the school with responsibilities for financial aid. The school must report all of the following:
  - The amount for each specific instance of reasonable expenses paid or provided. See [Subsection 4.1.F](#) for more information about the standards for determining reasonable expenses.
  - The name of the agent with responsibilities for financial aid to whom the expenses were paid or provided.
  - The dates of each activity for which the expenses were paid or provided.
  - A brief description of each activity for which the expenses were paid or provided.
- [[§668.16\(d\)\(1\) and \(2\)](#)]
- The school must establish and maintain records required under [34 CFR Part 668 \(General Provisions\)](#) and as required for each Title IV program.
- A school must develop and follow procedures to evaluate the validity of a student's high school completion if the school or the Department has reason to believe that the student's high school diploma is not valid or the student obtained a diploma from an entity that does not provide secondary school education. This requirement does not apply to a student who receives a secondary education in a home school setting that is treated as a home or private school under applicable state law. [[§668.16\(p\); Federal Register dated October 29, 2010, p. 66888](#)]<sup>2</sup>

## 4.2.A Financial Aid Administrator Responsibilities

A capable [financial aid administrator \(FAA\)](#) makes effective use of the various types of financial assistance (federal, institutional, [state](#), private) available to the school's students. An [FAA's](#) other responsibilities include:

- Ensuring that the Federal Stafford and PLUS Loan Programs at the school are administered according to federal regulations and [guarantor](#) policies.
- Ensuring that each [borrower](#) receives adequate financial aid and debt management counseling.
- Ensuring that each student's need-based financial aid does not exceed the student's need.
- Ensuring that each student's [financial aid package](#) does not exceed the student's [cost of attendance](#). [[§682.603\(e\)\(2\)](#)]

To fulfill his or her responsibilities, an FAA must communicate effectively with other school offices (such as the admissions office, the bursar's office, and the veterans affairs office). School administrators facilitate effective financial aid administration by ensuring that communication between these offices is open and timely, and that all relevant information is shared. A school is expected to have written procedures or information indicating the responsibilities of the various offices with respect to the approval, [disbursement](#), and delivery of Title IV program assistance. To properly package student financial aid, the FAA must have coordinating—but not necessarily controlling—authority for all financial aid programs offered by the school.

<sup>1</sup>. Policy 1241 (Batch 177), approved April 21, 2011

<sup>2</sup>. Policy 1233 (Batch 175), approved March 17, 2011

### 4.3.A

## General School Financial Responsibility Requirements

### Financial Statements and Audit Requirements

Each year, a school is required to submit to the [Department](#)—for the school’s most recently completed fiscal year—a financial statement prepared on an accrual basis according to generally accepted accounting principles and audited by an independent auditor or a government auditor. The financial statement must be prepared in accordance with generally accepted auditing standards and, if applicable, other guidance contained in the Office of Management and Budget [Circular A-133](#) or in the [Office of the Inspector General’s audit guides](#). The audited financial statement and the compliance audit report may be separate reports prepared by different auditors, provided that both are conducted on a fiscal-year basis and are submitted together. The Department also may request other documentation that it believes is necessary to make a determination of financial responsibility. As a part of its financial statement, the school must include a detailed description of related entities (as defined in the Statement of Financial Accounting Standards) and should list parties related to the school and details that would enable the Department to readily identify the related entities. The Department also may require the submission of additional financial statements that define the school’s financial relationships to related entities that have the ability to significantly influence or control the school. [\[§668.23\(a\)\(4\); §668.23\(d\)\(1\) and \(2\)\]](#)

A proprietary school must disclose in a footnote to its financial statement the percentage of its revenues derived from Title IV programs during the covered fiscal year. The revenue percentage must be calculated in accordance with [§668.28\(a\) and \(b\)](#). The proprietary school must also include, in the footnote, the dollar amount of the numerator and of the denominator in the school’s 90/10 calculation along with the individual revenue amounts by source (see [Section 2 of Appendix C in subpart B of Part 668](#)). The independent certified public accountant who prepares a proprietary school’s audited financial statement must report on the accuracy of the school’s calculation of the 90/10 components—based on performing an agreed-upon procedure attestation engagement. [\[§668.23\(d\)\(4\); 09-10 FSA Handbook, Volume 2, Chapter 1, p. 2-7\]](#)

A school’s financial statement must be submitted annually within 6 months of the end of its fiscal year. The Department may request more frequent filings or, with good cause, may extend the filing deadline. [\[§668.23\(a\)\(4\)\]](#)

In addition, each year a domestic school must submit to the Department a compliance audit of its administration of Title IV programs, conducted on a fiscal-year basis by an independent auditor. The compliance audit must be submitted to the Department not more than 6 months after the end of the school’s fiscal year. The compliance audit must cover all Title IV transactions in that fiscal year and all transactions that occurred since the period covered by its last compliance audit. It must be conducted in accordance with generally accepted standards for compliance audits and procedures for audits contained in the Department’s [audit guide](#). The Department may also require the school to provide copies of its compliance audit report to guarantors, eligible FFELP [lenders](#), state agencies, the Secretary of Veterans’ Affairs, or nationally-recognized [accrediting agencies](#). [\[§668.23\(b\)\]<sup>1</sup>](#)

A school participating in a Title IV program is required to submit audited financial statements and compliance audits to the Department electronically through eZ-Audit. A nonprofit or public school must submit copies of the A-133 reports in writing to the Federal Audit Clearinghouse, in addition to submitting the A-133 reports to the Department through eZ-Audit. [\[09-10 FSA Handbook, Volume 2, Chapter 12, pp. 2-145 to 2-155\]](#)

Schools that have a compliance or financial audit performed must allow the Department or its authorized representative access to records, audit work papers, and other documents necessary to review the audit, including the right to obtain copies of those records, work papers, and documents. The school must also require the auditor to permit the Department or its authorized representative access to its records and papers regarding the school’s audit. In addition, the school must permit the Department or its authorized representative access to any records or documentation that would assist in the review of a [third-party servicer’s](#) compliance or financial statement audit. [\[§668.23\(e\)\]](#)

<sup>1</sup>. Policy 1237 (Batch 176), approved April 21, 2011

A **foreign school** must also submit an audited financial statement of the most recently completed fiscal year, as follows: ~~If the school received less than \$500,000 (U.S.) in Title IV program funds during that fiscal year, its audited financial statement for that year may be prepared under the auditing standards and accounting principles of the school's home country. If the foreign school received \$500,000 (U.S.) or more in Title IV program funds during its most recently completed fiscal year, the school must submit its audited financial statement in accordance with U.S. federal regulation and satisfy the general standards of financial responsibility outlined for schools in the United States, or must qualify under an alternate standard of financial responsibility specified in regulation.~~

- A public or nonprofit foreign school, which is not in its initial provisional period, that has received less than \$500,000 (U.S.) in Title IV funds during the most recent fiscal year is not required to submit an audited financial statement unless requested to do so by the Department.
- A public or private nonprofit foreign school, that has received at least \$500,000 but less than \$3,000,000 (U.S.) in Title IV funds during the most recent fiscal year, must submit, in English, an audited financial statement that adheres to the generally accepted accounting principles of that school's home country.
- A public or private nonprofit foreign school, that has received at least \$3,000,000 but less than \$10,000,000 (U.S.) in Title IV funds during the most recent fiscal year, but less than , must submit, in English, an audited financial statement that adheres to the generally accepted accounting principles of that school's home country. In addition, every third year, such a school must submit corresponding documents that meet U.S. generally accepted accounting principles, and the requirements of 34 CFR §668.23(d).

An audited financial statement that adheres to the generally accepted accounting principles of that school's home country must be submitted, in English, on an annual basis, by:

- Any public or private nonprofit foreign school, that has received \$10,000,000 (U.S.) or more in Title IV funds during the most recent fiscal year.
- Any for-profit foreign school.
- Any foreign school still in its initial provisional status.

In addition, every third year, such schools must submit corresponding documents that meet U.S. generally accepted accounting principles and the requirements of 34 CFR 668.23(d).  
~~[§668.23(d)(3)(h)(1); §668.175]~~

The Department may also require a financial audit or additional documentation at any time for research, audit or investigative purposes.<sup>1</sup>

### Past Performance Requirements

A **school** is not considered financially responsible if one or more of the following situations exist:

- A person who exercises substantial control over the school, or any member of that person's family, owes a liability payment for a violation of a **Title IV** program requirement or has exercised substantial control over another school or a **third-party servicer** that owes a liability payment for a violation of a Title IV program requirement. However, if the party to whom the liability was assessed is making payments in accordance with a repayment agreement, this factor is not considered to reflect a lack of financial responsibility.
- The school is currently **limited**, **suspended**, or **terminated** as a participating FFELP school by the Department or by a **guarantor**, or the school has entered into a settlement agreement to resolve such an action within the preceding 5 years.
- The school has had an audit or **program review** finding in its two most recent audits or program reviews that resulted in the assessment of liabilities exceeding 5% of the funds received by that school under Title IV for any **award year** covered by that audit or program review.
- The school has been cited during any of the preceding 5 years for failure to submit acceptable, timely audit reports as required in program regulations.
- The school has failed to satisfactorily resolve compliance problems identified in a program review or audit.  
 [§668.174]

<sup>1</sup>. Policy 1237 (Batch 176), approved April 21, 2011



## General Disclosures for Enrolled and Prospective Students

A school must make available to enrolled and prospective students through appropriate publications, mailings, or electronic media, information about the school and financial aid available to students attending the school. A school is considered to make information available by posting it on a Website or including it in printed material without regard to whether any one individual requests it. When a student inquires about the general disclosure information that a school must make available, the school must direct the student to the appropriate source from which the information may be obtained.

[§668.41(d)]

A school must annually provide a currently enrolled student with a direct notice of the availability of the information that must be disclosed, briefly describe it, and advise the student how to obtain the information. A school that discloses information to an enrolled student by posting the information on its Website must include in its notice the exact electronic address at which the information is posted, and a statement that the school will provide a paper copy of the information upon the student's request. A school may use either an *Intranet* or *Internet* Website to make student consumer information available to an enrolled student. A school must not use an *Intranet* Website to make student consumer information available to a prospective student.

[§668.41(b) and (c)]

General disclosures for enrolled and prospective students must include, but are not limited to, all of the following:

[HEA §485(a)(1)(A); §668.42(a)]

- The federal, state, local, private, and institutional financial aid programs available to students who enroll at the school, including descriptions of:
  - The procedures (including deadlines) and forms a student must use to apply for assistance.  
[§668.42(b)(1)]
  - The requirements used in determining whether a student is eligible for aid.  
[§668.42(b)(2)]
  - The method by which financial aid disbursements are determined and disbursed, delivered, or applied to the student's account and the frequency of those disbursements.  
[§668.42(b) and (c)(3)]
  - The procedures for certain Pell grant-eligible students to obtain or purchase necessary books and supplies required for the [payment period](#) by

the seventh day of the payment period; and the procedures for the student to opt out of this process. The information must indicate whether the school will enter a charge on the student's account at the school for books and supplies or pay funds directly to the student. See [Subsection 8.7.C](#) subheading *Provisions for Necessary Books and Supplies* for more information.

[§668.164(i)]<sup>1</sup>

- The terms and conditions of any FFELP, FDLP, or Perkins loan(s) that is available to a student who enrolls at the school. See below for additional information that must be disclosed to a student who receives a FFELP, FDLP, or Perkins loan as part of a financial aid package.

[HEA §485(a)(1)(M); §668.42(a)(4)]

- The criteria used by the school to select financial aid recipients from the group of eligible applicants.

[§668.42(b)(3)]

- The criteria used in determining the amount of a student's award.

[§668.42(b)(4)]

*Funding Education Beyond High School: The Guide to Federal Student Aid*, a free booklet published by the Department, provides schools with an excellent source of materials for developing descriptions of Title IV programs. A school may obtain copies by calling (800) 4-FED-AID or by mailing a request to:

Federal Student Financial Aid Information Center  
Federal Student Aid  
P.O. Box 84  
Washington, DC 20044

- A description of student rights and responsibilities specifically addressing financial aid under the Title IV programs that includes, but is not limited to, the following:
  - The criteria for continued student eligibility under each program.  
[§668.42(c)(1)]
  - The standards by which the school determines, for the purpose of awarding financial assistance, whether a student is making [satisfactory academic progress \(SAP\)](#), and the criteria that must be met

<sup>1</sup>. Policy 1246 (Batch 178), approved April 21, 2011

- The school's instructional, laboratory, and other physical facilities that relate to its academic programs. [§668.43(a)(5)(ii)]
- The school's faculty and other instructional personnel. [§668.43(a)(5)(iii)]
- The names of the school's accrediting, authorizing, or licensing organizations and the procedures under which any current or prospective student may review a copy of the documents describing the school's accreditation, approval, or licensing, and/or authorization. The school must also provide contact information for filing a complaint with each entity, as applicable, as well as any other relevant state official or agency that would appropriately handle a student's complaint. [§600.9; §668.43(a)(6); §668.43(b)]<sup>1</sup>
- Special facilities and services available to students with disabilities, including students with intellectual disabilities. See §668.231(b) for more information about a student with an intellectual disability. This information may include detailed descriptions of all facilities (such as ramps and special parking arrangements) and services (such as special tutors, library books in Braille, and audio-visual materials available). If the school has chosen not to provide special facilities or services, the school may report that no facilities exist to accommodate students with special needs. [§668.43(a)(7)]
- The titles of designated school personnel that are available on a full-time basis to assist students and prospective students in obtaining consumer information about the school—with information on how and where those persons may be contacted. [§668.43(a)(8); §668.44]
- For schools with study-abroad programs, a statement to the effect that enrollment in the foreign school is equivalent to enrollment in the home school for purposes of establishing Title IV eligibility. [§668.43(a)(9)]
- For schools that use job placement statistics in recruiting students, the most recent available data concerning job placement statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements. [§668.14(b)(10)(i)]
- The school's policies and sanctions related to copyright infringement, including all of the following:
  - A description of the school's policies on unauthorized peer-to-peer file sharing, including disciplinary actions that are taken against students who use the school's information technology system to engage in illegal downloading or unauthorized distribution of copyrighted materials.
  - A summary of the penalties for violation of federal copyright laws.
  - An explicit statement that a student may be subject to civil and criminal penalties for the unauthorized distribution of copyrighted material, including unauthorized peer-to-peer file sharing. [HEA §485(a)(1)(P); §668.43(a)(10)]
- Student body diversity at the school, including information on the percentage of enrolled, full-time students who are male, female, receive a Federal Pell grant, and are self-identified as members of a major racial or ethnic group. [HEA §485(a)(1)(Q)]
- From data gathered through alumni surveys, student satisfaction surveys, state data systems, or other relevant sources:
  - Information about employment placement and the types of employment obtained by graduates of the school's degree or certificate programs. If a school calculates an actual job placement rate, even if the school is not required to do so, the school must disclose the rate. [HEA §485(a)(1)(R); §668.41(d)(5)]
  - The types of graduate and professional education in which graduates of the school's four-year degree programs enrolled. [HEA §485(a)(1)(S); §668.41(d)(6)]

Regardless of the source of the information that a school chooses, the school must disclose that source and any time frames and methodology associated with the data. [§668.41(d)(5)(ii) and (6)(ii)]

<sup>1</sup> Policy 1229 (Batch 174), approved April 21, 2011

- The retention rate of certificate- or degree-seeking, first-time, full-time undergraduate students entering the school, as reported to the Integrated Postsecondary Education Data System (IPEDS). In the case of a request from a prospective student, this information must be made available prior to the student's enrolling or entering into any financial obligation with the school.

[HEA §485(a)(1)(U); §668.41(d)(3)]

- The school's completion or graduation rate, and, if the school determines that its mission includes substantial preparation for its students to enroll at another eligible school, its transfer-out rate for the school's certificate- or degree-seeking, first-time, full-time undergraduate students, disaggregated by each of the following:
  - Gender.
  - Each major racial and ethnic subgroup (as defined in IPEDS).
  - Recipients of a Pell grant.
  - Recipients of a subsidized Stafford loan who did not receive a Pell grant.
  - Recipients of neither a subsidized Stafford loan nor a Pell grant.

If the number of students in any of the aforementioned groups is insufficient to yield statistically reliable information, or if reporting will reveal personally identifiable information about an individual student, the school is not required to calculate a rate for that group. However, in such a case, the school must report that too few students enrolled in that group to disclose or report with confidence and confidentiality.

A student is considered a recipient or a non-recipient of a Pell grant or, as applicable, a subsidized Stafford loan, if the student received the aid during one of the following time periods:

- For a school with a predominant number of semester, trimester, or quarter term-based programs, the fall term of the year in which the student's cohort of certificate- or degree-seeking, first-time, full-time undergraduate students first entered the school.
- For a school with a predominant number of programs that are not semester, trimester, or quarter term-based, the period between

September 1 and August 31 of the following year when the student's cohort of certificate- or degree-seeking, first-time, full-time undergraduate students first entered the school.

A two-year, degree-granting school is not required to report completion or graduation rates, and if applicable, transfer-out rates by the categories above until academic year 2011-2012. In the case of a request from a prospective student, this information must be made available prior to the student's enrolling or entering into any financial obligation with the school. See above for more information about completion or graduation rates and, if applicable, transfer-out rates that a school must calculate for students who receive athletically-related financial aid.

[§668.41(d)(4); §668.45]

- A description of the school's transfer of credit policies, that includes, at minimum, both of the following:
  - Any criteria the school uses regarding the transfer of credit earned at another school.
  - A list of the schools with which the school has established an articulation agreement.

An articulation agreement is an agreement among schools that specifies the acceptability of transfer courses toward meeting specific degree or program requirements. The Department may not require a school to establish a particular policy, procedures, or practice regarding transfer of credit.

[HEA §486A(a)]

- The school's policies regarding vaccinations.  
[HEA §485(a)(1)(V)]

#### **Gainful Employment Disclosures for Prospective and Enrolled Students**

A school must provide certain disclosures to prospective and current students enrolled in a program that prepares students for gainful employment in a recognized occupation. For each of these programs, the school must provide prospective students with the following:

- The names and Standard Occupational Classification (SOC) codes of occupations that the program prepares students to enter, along with links to occupational profiles on O\*NET or its successor site. If the number of occupations related to the program, as identified by entering the program's full six digit Classification of<sup>1</sup>

<sup>1</sup>. Policy 1240 (Batch 177), approved April 21, 2011

Instructional Programs (CIP) code on the O\*NET crosswalk at <http://online.onetcenter.org/crosswalk/> is more than ten, the school may provide Web links to a representative sample of the identified occupations (by name and SOC code) for which its graduates typically find employment within a few years after completing the program.

- The on-time graduation rate for students completing the program. To calculate the on-time completion rate for each program:

Step 1: Determine the number of students who completed the program during the most recently completed award year (regardless of whether the students transferred into the program or changed programs at the school).

Step 2: Divide the number of students who completed the program within the normal time frame by the total of students who completed the program and multiply the result by 100.

- The tuition and fees it charges a student for completing the program within the normal time frame as defined, the typical costs for books and supplies (unless those costs are included as part of tuition and fees), and the cost of room and board, if applicable. The school may include information on other costs, such as transportation and living expenses, but it must provide a Web link, or access, to the program cost information.
- The placement rate for students completing the program, as determined under a methodology developed by the National Center for Education Statistics (NCES) when that rate is available. In the meantime, if the school is required by its accrediting agency or state to calculate a placement rate on a program basis, it must disclose the rate and identify the accrediting agency or state agency under whose requirements the rate was calculated. If the accrediting agency or state requires a school to calculate a placement rate at the school level or other than a program basis, the school must use the accrediting agency or state methodology to calculate a placement rate for the program and disclose that rate.
- The median loan debt incurred by students who completed the program as provided by the Department, as well as any other information the Department provided to the school about that program. The school

must identify separately the median loan debt from Title IV, loans, and the median loan debt from private educational loans and school financing plans.

For each program, the school must include the above information in promotional materials it makes available to prospective students and post this information on its Web site. The school must prominently provide the information in a simple and meaningful manner on the home page of its program Web site, and provide a prominent and direct link on any other Web page containing general, academic, or admissions information about the program, to the single Web page that contains all the required information. The school must display the information on the school's Web site in an open format that can be retrieved, downloaded, indexed, and searched by commonly used Web search applications. An open format is one that is platform-independent, machine-readable, and made available to the public without restrictions that would impede the reuse of that information. When the Department issues a disclosure form for this information, schools must use the Department's disclosure form.  
[\[§668.6\]](#)<sup>1</sup>

### **Annual Security Report**

By October 1 of each year, a school must publish and distribute to all of its enrolled students and current employees an annual security report. If the school distributes its annual security report by posting it on an *Internet* or *Intranet* Website, the school must notify its enrolled students and current employees of the exact electronic address at which the report is posted, briefly describe the report, and state that the school must provide a paper copy of the report upon request.

The school must notify prospective students and prospective employees about the availability of the annual security report, briefly describe its content and provide an opportunity to request a copy. If a school makes the annual security report available by posting it on an *Internet* Website, the school must include in its notice to prospective students and prospective employees the exact electronic address at which the report is posted, briefly describe the report, and state that the school will provide a paper copy of the report upon request. A school must not use an *Intranet* Website to make student consumer information available to a prospective student or prospective employee.

<sup>1</sup>. Policy 1240 (Batch 177), approved April 21, 2011

*Engagements) of Federal Student Financial Assistance Programs at Participating Institutions* and OMB Circular A-133. Copies of the *Audit Guide* may be obtained by calling the Department at 800-4-FED-AID. Copies of OMB circulars may be obtained from the OMB's Publication Office at (202) 395-7332, or in an electronic format from the White House's Website:

[www.whitehouse.gov/omb/circulars/index-education.html](http://www.whitehouse.gov/omb/circulars/index-education.html)

### Waiver of Annual Audit Submission

~~The Department may waive the annual audit submission requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period. The Department will notify the school if a decision is made to exercise this waiver authority. [HEA §487(c)(1)(A)(i); DCL GEN 08 12/FP 08 10]~~

~~In addition, at~~ At the request of a school, the Department may waive the annual audit submission requirement if the school meets all of the following criteria:<sup>1</sup>

- Is not a **foreign school**.  
[§668.27(c)(1)]
- Disbursed less than \$200,000 in Title IV program funds during each of the two completed **award years** preceding the school's waiver request.  
[§668.27(c)(2)]
- Agrees to keep records relating to each award year in the unaudited period for 2 years after the end of the record retention period specified in **Section 4.5** for that award year.  
[§668.27(c)(3)]
- Has participated in Title IV programs under the same ownership for at least three award years preceding the school's waiver request.  
[§668.27(c)(4)]
- Is financially responsible as defined in **Section 4.3** and does not rely on the alternative standards of **Subsection 4.3.A** to participate in Title IV programs.  
[§668.27(c)(5)]
- Is not on the reimbursement or cash monitoring system of payment.  
[§668.27(c)(6)]

- Has not been the subject of a **limitation, suspension, fine, termination** proceeding, or **emergency action** initiated by the Department or a **guarantor** in the 3 years preceding the school's waiver request.  
[§668.27(c)(7)]
- Has submitted its compliance audits and audited financial statements for the previous two fiscal years in accordance with and subject to **Subsection 4.3.A**, and no individual audit disclosed liabilities exceeding \$10,000.  
[§668.27(c)(8)]
- Submits a letter of credit equaling 10% of the amount of Title IV program funds the school disbursed to or on behalf of its students during the award year preceding the school's waiver request. This letter must remain in effect until the Department has resolved the audit covering the award years subject to the waiver.  
[§668.27(c)(9)]

If the Department grants the waiver, the school will not need to submit a compliance audit or audited financial statement until 6 months after one of the following:

- The end of the third fiscal year following the fiscal year for which the school last submitted a compliance audit and audited financial statement.  
[§668.27(b)(1)(i)]
- The end of the second fiscal year following the fiscal year for which the school last submitted compliance and financial statement audits, if the award year in which the school will apply for recertification is part of the third fiscal year.  
[§668.27(b)(1)(ii)]

<sup>1</sup> Policy 1237 (Batch 176), approved April 21, 2011



A student who loses eligibility during a loan period is immediately ineligible to receive subsequent [disbursements](#) of FFELP funds and is required to repay any Title IV funds received after the date he or she loses eligibility. Schools are not required to recalculate a student's loan amount. [\[§668.40\(c\)\]](#)

## 5.9 Required High School Diploma or Equivalent

### 5.10 Required High School Diploma or Equivalent<sup>1</sup>

To be eligible for ~~FFELP funds~~ [Title IV aid](#), the ~~borrower, or the dependent student for whom a parent seeks a PLUS loan,~~ must have a high school diploma or its equivalent, or must demonstrate an [ability to benefit](#) from a program of study offered by a school (see [Section 5.10](#) for more information on ability-to-benefit provisions). A school must develop and follow procedures to evaluate the validity of a student's claim of high school completion if the school or the Department has reason to believe that the student's high school diploma is not valid or the student obtained a diploma from an entity that does not provide secondary school education (see also [Section 4.2](#)). [\[§668.16\(p\); §668.32\(e\)\(1\) and \(2\)\]](#)

The following are considered equivalent to a high school diploma for establishing Title IV eligibility: [\[§668.32\(e\)\(1\) and \(2\)\]](#)<sup>2</sup>

- A General Education Development (GED) Certificate—or a [state](#) certificate issued after a student passes an approved examination that the state recognizes as an equivalent to the GED. [\[§668.32\(e\)\(3\)\]](#)
- An academic transcript in a recognized program. A school may admit a limited number of students without high school diplomas or equivalent certificates who have excelled academically in high school and met the school's admissions standards. If such a student completes a program of at least two years that is acceptable for full credit toward a bachelor's degree, the academic transcript for that program would be considered the equivalent of a high school diploma. [\[09-10 FSA Handbook, Volume 1, Chapter 1, pp. 1-5 to 1-6\]](#)

## 5.10 Ability-to-Benefit Provisions

### 5.11 Ability-to-Benefit Provisions<sup>3</sup>

To receive ~~Title IV assistance aid~~, a student without a high school diploma or its equivalent must demonstrate the potential to succeed in (i.e., an ability to benefit from) a [program of study](#) offered by a school. A student who is admitted on an [ability-to-benefit \(ATB\)](#) basis must meet one of the following requirements: [\[§668.32\(e\); §682.201\(a\)\(8\)\]](#)

- The student takes—and achieves at least a passing score as specified by the U.S. Department of Education on—an independently administered test that has been approved by the Department to establish (according to the Department's criteria) whether the student has the ability to benefit from the education or training being offered. The independent administrator for the [ATB](#) test must be an individual or organization that has been certified by the test publisher and has no fiscal interest in the school. [\[§668.141\(a\)\(1\)\]](#)
- The student obtains a passing score on a Department-approved state test or assessment. [\[§668.141\(a\)\(1\)\]](#)
- The student is [enrolled](#) in an eligible [school](#) that participates in a state-approved testing process that is approved by the Department. [\[§668.141\(a\)\(2\)\]](#)
- The student satisfactorily completes six credit hours or equivalent coursework that is applicable toward a degree or certificate offered by the school. The student is ineligible to receive Title IV aid while earning the six credit hours or their equivalent. However, in cases where a student is enrolled in a payment period with [modules](#) that are independently completed and graded prior to the end of that payment period, there could be a situation in which a student successfully completes a module and earns the qualifying hours prior to the end of the payment period. In that case, a school could calculate the cost of attendance for the remaining modules in the [payment period](#) and award and<sup>4</sup>

<sup>1</sup>. Policy 1228 (Batch 173), approved January 20, 2011

<sup>2</sup>. Policy 1233 (Batch 175), approved March 17, 2011

<sup>3</sup>. Policy 1228 (Batch 173), approved January 20, 2011

<sup>4</sup>. Policy 1242 (Batch 177), approved April 21, 2011

disburse Title IV funds for those remaining credits, if appropriate. Six credit hours are defined as any one of the following, as applicable:

- = Six semester hours.
- = Six trimester hours.
- = Six quarter hours.
- = 225 clock hours.

Testing out of a class does not equate to the completion of the six credit hours otherwise required for ATB purposes.

[HEA §484(d)(4); §668.32(e)(5) DCL GEN 08-12/FP 08-10]

To determine a student's eligibility to receive Title IV aid, a school may accept a passing score on an approved, ATB test that has been properly administered by an individual who has been certified by the test publisher or the state. ~~ATB test~~ If an ATB test is given at a facility other than an assessment center, the independent test administrator may not have any current or prior financial or ownership interest in the school, may not be a current or former employee of or consultant to the school, may not be a current or former member of the board of directors for the school, and may not be a current or former student of the school. ~~if the score is received from an approved test publisher or assessment center.~~

[§668.142-151(a)(2)]<sup>1</sup>

A student should not be considered to have an ability to benefit if, at the time of loan **certification**, the student would not meet the requirements for employment in the student's state of residency in the occupation for which the student is training. The disqualifying factor may be a physical or mental condition, age, criminal record, or any other reason accepted by the Department. The school will not be held responsible for improper certification if it could not reasonably be expected to be aware of the student's disqualifying condition.

[§682.402(e)(13)]

## 5.10-A

### Testing ATB Students with Special Needs

## 5.11.A

### Testing ATB Students with Special Needs<sup>2</sup>

If no test can be approved for ~~students~~ individuals with disabilities ~~or for students for whom English is not their native language or who are not fluent in English because a test is not reasonably available~~, the Department considers ~~the following tests~~ any modified test or testing procedure, or instrument that has been developed for the purpose of evaluating the ability of individuals with disabilities to benefit from postsecondary education, to be an approved tests for purposes of assessing those ~~students'~~ individuals' ability to benefit. The test must measure both basic verbal and quantitative skills at the secondary school level. The Department considers the passing scores for these testing procedures to be those recommended by the test publisher or state, as applicable.

[§668.149]

- ~~For the purpose of testing students with disabilities, any modified test or testing procedure or instrument that has been developed for the purpose of evaluating the ability of disabled students to benefit from postsecondary education. The test must measure both basic verbal and quantitative skills at the secondary school level.~~  
[§668.149(a)(1)]

The Department will ensure, as part of its approval process, that a test for an individual for whom English is not his or her native language and who is enrolled in a program that is taught in his or her native language will be linguistically correct and culturally sensitive regardless of the language in which the test is written.

[§668.148]

- ~~For the purpose of testing students for whom English is not their native language or who are not fluent in English, any test in the student's native language or a language in which the student is fluent, provided the Department has not approved another test in that language and the test was not previously rejected from the approval process by the Department. The test must measure both basic verbal and quantitative skills at the secondary school level.~~  
[§668.149(b)]<sup>3</sup>

<sup>1</sup>. Policy 1242 (Batch 177), approved April 21, 2011

<sup>2</sup>. Policy 1228 (Batch 173), approved January 20, 2011

<sup>3</sup>. Policy 1242 (Batch 177), approved April 21, 2011

~~The passing scores recommended by the test developer are considered passing scores by the Department provided that:~~

- ~~• For students with disabilities, the test administrator uses the procedures or instruments for which the test was designed, and maintains documentation of the procedures and instruments used in the testing and of the scores and scoring techniques.  
[§668.149(a)(2)(i) and (ii)]~~
- ~~• For students for whom English is not their native language or who are not fluent in English, the passing scores and the methods for determining those scores are fully documented.  
[§668.149(b)(4)]<sup>1</sup>~~

## 5.10.B School Liability in ATB Testing

### 5.11.B School Liability in ATB Testing<sup>2</sup>

Regulations stipulate the instances in which a [school](#) will be assessed a liability based on administration of the [ability-to-benefit](#) provisions. These instances are limited to:

- [Funds](#) disbursed to students whose ability to benefit from the course was determined in a test that was provided by a test administrator that was not independent of the school at the time the test was given.  
[§668.154(a)]
- Funds disbursed to students for whom the [ATB](#) testing process was compromised by the school in any way.  
[§668.154(b)]
- Funds disbursed to students for whom the school is unable to document that the students received passing scores on an approved test.  
[§668.154(c)]

## 5.11 Student Enrollment Requirements

### 5.12 Student Enrollment Requirements<sup>3</sup>

Each [eligible student](#) who is seeking a Stafford loan—or on whose behalf a PLUS loan is being sought—must meet the following enrollment requirements:

- The student must not be [enrolled](#) in either an elementary or secondary school.  
[§668.32(b)]
- The student must be [enrolled](#) or accepted for enrollment as a [regular student](#) in one of the following:
  - An eligible degree or certificate program on at least a half-time basis at a [participating school](#) approved by the Department and the [guarantor](#) (except as noted below), or the student's coursework is partially or totally offered through distance education subject to the limitations described in [Section 5.12](#).  
[§668.38; §682.201(a)]
  - A study-abroad program that is approved for credit by the participating school at which the student is enrolled, whether or not the study-abroad program is a required part of the student's degree program (see [Subsection 5.13.B](#)).  
[§668.39]

A student who has previously obtained a bachelor's or [professional degree](#) is eligible for loan assistance, provided he or she meets all applicable eligibility criteria.

There are two exceptions to the [FFELP](#) eligibility requirement that a student be enrolled or accepted for enrollment as a regular student in a degree or certificate program:

- *Preparatory Coursework*  
A student who is not enrolled in a degree or certificate program is eligible for Stafford or PLUS loans for a period of up to one year if the student is taking preparatory courses necessary for his or her enrollment in an eligible program. The courses must be part of an eligible program otherwise offered by the [school](#), although the student does not have to be enrolled in that program. For example, a student who has already

<sup>1</sup>. Policy 1242 (Batch 177), approved April 21, 2011

<sup>2</sup>. Policy 1228 (Batch 173), approved January 20, 2011

<sup>3</sup>. Policy 1228 (Batch 173), approved January 20, 2011



### Credit-Hour Programs with Standard Terms or Nonstandard Terms That Are SE9W Offered in a Traditional Academic Year Calendar: Using an SAY

For a credit-hour program with standard terms or nonstandard terms that are SE9W using an SAY that corresponds to a traditional academic year calendar, the school must designate the summer term as either a “header” (precedes the [academic year](#)) or a “trailer” (follows the academic year). (See the discussion in this Subsection under the heading *Academic Year Categories* for additional information.) A school may consistently designate the summer term as either a header or trailer with no exceptions. A school may also choose any one of the following options, provided there is no overlap in academic years:

- The school may consistently designate the summer term as either a header or a trailer with some exceptions (e.g., for different programs or for individual students) that are determined by the school on a case-by-case basis.
- The school may make all decisions regarding the use of the summer term as a header or a trailer on a case-by-case basis.

The Stafford annual loan limit applies to the SAY, plus the summer trailer or header. Once the calendar period associated with all of the terms in the SAY has elapsed, a student regains eligibility for new Stafford [annual loan limits](#) regardless of whether the student attends all of the terms or completes all of the credit hours or weeks of instructional time in the program’s [Title IV academic year](#). [\[09-10 FSA Handbook, Volume 3, Chapter 6, pp. 3-105 and 3-106\]](#)

### Credit-Hour Programs Using Standard Terms or Nonstandard Terms That Are SE9W Offered in a Traditional Academic Year Calendar: Using BBAY1

If a program is offered in an SAY, the school may use [BBAY1](#) as an alternative to the SAY for monitoring annual loan limit progression. If BBAY1 is used, the school must include the same number of consecutive terms in the BBAY as it includes in the program’s SAY, excluding a summer term designated as a “header” or “trailer” to the SAY. (See the discussion in this Subsection under the heading *Academic Year Categories* for additional information.) For example, if the SAY includes three quarter terms (fall, winter, and spring), a BBAY would consist of any three consecutive terms. The BBAY may include a term(s) in which the student does not enroll if the student could have enrolled at least half-time in that term(s), but the BBAY

must begin with a term in which the student is actually enrolled. A student may be enrolled less than half-time for the first term in the BBAY, although the student is not eligible to receive, or receive the benefit of, a loan for that initial term. ~~Mini-sessions~~ [Modules](#) (summer or otherwise) that are offered consecutively within a term must be combined and treated as a single term.<sup>1</sup>

A school may use BBAY1 for all students, for students enrolled in certain programs, or on a student-by-student basis. For example, a school may use BBAY1 for a student who is enrolled in a program that begins in a term other than the first term of the SAY. The school may also alternate between BBAY1 and an SAY for the same student, allowing a student to receive another annual loan limit sooner than would be permitted under the SAY. However the school must ensure that it does not establish overlapping academic years for a student.

[\[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-108\]](#)

The Stafford annual loan limits apply to the BBAY. Once the calendar period associated with all of the terms in BBAY1 has elapsed, a student regains eligibility for new Stafford annual loan limits regardless of whether the student attends all of the terms or completes the credit hours or weeks of instructional time in the program’s Title IV academic year.

[\[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-108\]](#)

### Credit-Hour Programs Using Standard Terms or Nonstandard Terms That Are SE9W Not Offered in a Traditional Academic Year Calendar: Using BBAY2

If a school has a program that is not offered in a traditional academic year calendar (i.e., one that corresponds to an SAY), the school must use BBAY2. (See the discussion in this Subsection under the heading *Academic Year Categories* for additional information.) The BBAY for a program that is not offered in an SAY must always include enough consecutive terms to meet the program’s Title IV academic year requirements for weeks of instructional time. If the program uses semester or trimester terms, a BBAY consists of at least two consecutive terms. If the program uses quarter terms, a BBAY consists of at least three consecutive terms. If the program uses nonstandard terms that are [SE9W](#), a BBAY consists of the number of consecutive terms that coincide with the weeks of instructional time in the program’s academic year. The BBAY may include a term(s) in which the student does not enroll if the student could have enrolled at least half time in that term(s), but the BBAY must begin with a term in which the student is actually enrolled. A student may be enrolled

<sup>1</sup> Policy 1238 (Batch 176), approved April 21, 2011

less than half-time for the first term in the BBAY, although the student is not eligible to receive, or receive the benefit of, a loan for that initial term. ~~Mini-sessions Modules~~ (summer or otherwise) must be combined and treated as a single standard term.

[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-110]<sup>1</sup>

The Stafford annual loan limits apply to the BBAY. Once the calendar period associated with all of the terms in BBAY2 has elapsed, a student regains eligibility for new Stafford annual loan limits regardless of whether the student attends all of the terms or completes all of the credit hours or weeks of instructional time in the program's Title IV academic year.

[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-110]

### Clock-Hour Programs, Non-Term-Based Credit-Hour Programs, and Nonstandard Term-Based Credit-Hour Programs with Terms That Are *Not* SE9W: Using BBAY3

A school must use BBAY3 for any of the following programs:

- A clock-hour program.
- A non-term-based credit-hour program.
- A credit-hour program with nonstandard terms that are *not* SE9W, i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length.
- A credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.

BBAY3 begins when the student enrolls and does not end until the student successfully completes (i.e., passes) the number of credit or clock hours and completes the weeks of instructional time in the program's Title IV academic year. For a student enrolled in a nonstandard term-based program with terms that are not SE9W, the number of terms that have elapsed is irrelevant.

The Stafford annual loan limits apply to the BBAY. Once a student successfully completes (i.e., passes) the number of credit or clock hours and completes the weeks of instructional time in the program's Title IV academic year, a new BBAY begins and the student regains eligibility for a new annual loan limit. A student's enrollment status may affect how soon the student regains eligibility for new Stafford annual loan limits. A student who does not attend

on a full-time basis will take longer to complete the academic year than a full-time student.

[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-111]

A student enrolled in a self-paced program, either a clock-hour program or a non-term-based credit-hour program, may successfully complete the number of clock or credit hours in the program's academic year in fewer than the number of weeks of instructional time in the program's academic year. If the self-paced program is an undergraduate program that is *exactly* one academic year in length, e.g., 900 clock hours and 26 weeks of instructional time, a student may successfully complete 900 clock hours in 22 weeks. If the average student successfully completes the program in 26 weeks, the school is not required to prorate the loan amount for the occasional student who successfully completes the program in less than 26 weeks (see Subsection 6.11.F). A student who is enrolled in a program that is more than one academic year in length cannot receive a subsequent loan for a new BBAY until the student has completed both the number of clock or credit hours and the weeks of instructional time in the initial BBAY. For example, a student is enrolled in a program of 1800 clock hours and 52 weeks of instructional time in which the Title IV academic year is defined as 900 clock hours and 26 weeks of instructional time. The student successfully completes 900 clock hours in 22 weeks of instructional time. However, the student must also complete the 26 weeks of instructional time in the program's academic year before the student gains eligibility to receive another loan for a new BBAY. If the subsequent loan is for a final period of undergraduate study that includes fewer clock or credit hours than the program's academic year, the school must prorate the Stafford annual loan limits (see Subsection 6.11.F).

[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-111]

### Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school or transfers to a new program at the same school, a school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year at the prior school or with the prior program at the same school. As a result, a student's Stafford annual loan limit for the initial period of enrollment at the new school or in the new program at the same school may be limited. For detailed information about determining whether an academic year overlap exists for a transfer student and determining such a student's remaining Stafford loan eligibility, see Subsection 6.11.A.

[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-120]

<sup>1</sup>. Policy 1238 (Batch 176), approved April 21, 2011

For a Stafford loan disbursed by individual check, the earliest date for which a first disbursement by the lender may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- The first day of the first module that the student will actually attend if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students.
- 30 days before the first day of the first module that the student will actually attend for all other borrowers, including a first-year undergraduate, first-time borrower at a school that is not subject to delayed delivery (see [Subsection 8.7.D](#)).

For a PLUS loan, the earliest date for which a first disbursement by the lender may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- 13 days before the first day of the first module that the student will actually attend for a loan disbursed by EFT or master check.
- 30 days before the first day of the first module that the student will actually attend for a loan disbursed by individual check.

If the [loan period](#) for a Stafford or PLUS loan consists of one payment period and does not qualify for a multiple disbursement exemption (see [Subsection 6.4.A](#)), the school must schedule the second disbursement so that it is delivered no earlier than the *later of* the calendar midpoint between the first and last scheduled days of class of the loan period, or the first day of the first subsequent module that the student will actually attend, in the following types of programs:

- A standard term-based, credit-hour program.
- A nonstandard term-based, credit-hour program in which all of the terms are substantially equal *and* at least 9 weeks of instructional time in length ([SE9W](#)).

If the loan period for a Stafford or PLUS loan consists of more than one payment period, the earliest date for which a second or subsequent disbursement from the lender may be scheduled is:

- 13 days before the first day of the first module that the student will actually attend in any subsequent payment period for a loan disbursed by EFT or master check.

- 30 days before the first day of the first module that the student will actually attend in any subsequent payment period for a loan disbursed by individual check.

### Early Disbursement for Necessary Books and Supplies

A school must provide certain Pell grant-eligible students with a method to obtain or purchase necessary books and supplies required for the [payment period](#). A school must ensure that the student has access to those funds or to the necessary books and supplies no later than the seventh day of the payment period. A school must provide this access to funds if all of the following criteria apply:

- The student is eligible for Pell grant funds.
- The school could disburse Title IV funds 10 days prior to the start of the payment period for that student.
- A credit balance would be created by the disbursement of all Title IV funds for which the student was eligible 10 days prior to the start of the payment period. This does not include the following:
  - = The amount of a Stafford loan disbursement that is subject to a 30-day delay, because the school may not disburse those funds 10 days before the start of that student's payment period.
  - = Aid that has not yet been awarded to a student at least 10 days before the start of classes because the student missed a financial aid deadline date.
  - = Aid to a student who had not completed the [verification](#) process, had an unresolved "C" code on the [SAR](#) and [ISIR](#), or had unresolved conflicting information, 10 days prior to the payment period.  
[\[§668.164\(i\)\]](#)

Although this is a requirement for Pell grant-eligible students, a school may use the same process to make funds for necessary books and supplies available to all of its Title IV eligible students.

The school must make a single method available to eligible students and may provide an alternative method by which a student may obtain necessary books and supplies if the student opts out of the school's preferred method. A school has several options for providing its students with a method to obtain the necessary books and supplies, for example, cash or check; stored-value card or bookstore voucher; or, a short-term loan.<sup>1</sup>

<sup>1</sup>. Policy 1246 (Batch 178), approved April 21, 2011

to the use of an electronic record in a manner that reasonably demonstrates that the individual is able to access the information to be provided in an electronic form. The consent must be voluntary and based on accurate information about the transactions to be completed. These electronic processes must be made in accordance with the [Electronic Signatures in Global and National Commerce Act \(P. L. 106-229\)](#).

[DCLs GEN-01-06 and GEN-05-16]

## 8.2.A Initial Notice of Funds

Prior to delivering any [Title IV funds](#) to the student or [parent borrower](#), the [school](#) is required to provide a notice to the student providing information about the amount of funds that the student or his or her parent can expect to receive under each Title IV program. Regulations require this notice (i.e., award letter) to be provided only to the student. The notice must include:

- The amount of proceeds the student or his or her parent can expect to receive for each loan type. For loans made using a [Master Promissory Note \(MPN\)](#), the school's award letter may include proposed loan amounts and loan types. It may also include instructions to the borrower either to accept the loan(s) offered by responding to the school in writing or electronically, or to take action only if requesting a cancellation or reduction of the loan amount offered (see [Subsection 8.2.B](#) for [confirmation](#) requirements).
- In the case of proceeds available to certain Pell grant-eligible students or other Title IV-eligible students for necessary books and supplies, the school must describe how any Title IV credit balance funds will be made available to the student by the seventh day of the payment period for this purpose. [\[§668.164\(i\)\]](#)<sup>1</sup>
- When the proceeds will be delivered and by what method.
- Which proceeds are from subsidized and unsubsidized Stafford loans, PLUS loans, and other Title IV programs. [\[§668.165\(a\)\(1\); DCL GEN-98-25; DCL GEN-99-9\]](#)

## 8.2.B Confirmation Requirements for the Multi-Year Feature of the MPN

The school must ensure and document that a process is in place for confirming that the borrower accepts the loan amounts offered under the multi-year feature of the [Master Promissory Note \(MPN\)](#). The [confirmation](#) process may be part of, or may supplement existing required notices and disclosures described in this section and may be either passive or affirmative.

*Passive confirmation* is a process by which the school, lender, or [guarantor](#) (on behalf of the school or lender) notifies the borrower of the proposed loan types and amounts. The borrower is required to take action only to reject or adjust the type or amount of the loan. The school does not deliver loan funds until the time given to the borrower to respond has elapsed.

*Affirmative confirmation* is a process by which the school, lender, or guarantor (on behalf of the school or lender) advises the borrower of the proposed loan types and amounts. The borrower must provide written or electronic confirmation of the types and amounts of Title IV loans wanted for an [award year](#) before the school delivers those loan funds.

[\[§668.165\(a\); §682.401\(d\)\(4\)\(vi\); 09-10 FSA Handbook, Application and Verification Guide, Chapter 6, pp. AVG-112 to AVG-114, and Volume 4, Chapter 1, pp. 4-4 to 4-5\]](#)

## 8.2.C School's Notice of Credit to Student's Account

Except in the case of a post-withdrawal disbursement made as a result of the [return of Title IV funds](#) calculation (see [Subsection 9.5.A](#)), the school must notify the student or parent borrower if the school credits Stafford, Grad PLUS, or [parent PLUS loan proceeds](#) to the student's school account. If the school obtained affirmative confirmation of the borrower's acceptance of the loan amount offered (see [Subsection 8.2.B](#)), the notice must be issued no earlier than 30 days before and no later than 30 days after the school credits the student's account. If the school did not obtain affirmative confirmation of the borrower's acceptance of the loan amount offered, the notice must be issued no earlier than 30 days before and no later than 7 days after the

<sup>1</sup>. Policy 1246 (Batch 178), approved April 21, 2011



document in the student's file the result of the contact and the final determination made concerning the late or post-withdrawal disbursement.

[HEA §484B(a)(4)(A); DCL GEN-06-05]

## 8.3 Required Authorizations

A school must have written authorization from a student or parent borrower, as applicable, to perform the following activities:

- Deliver Stafford or PLUS loan proceeds received by EFT or [master check](#) to the student or parent borrower. This authorization is obtained when the borrower signs the [Federal Stafford Loan Master Promissory Note \(Stafford MPN\)](#) or [Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\)](#).  
[§682.604(c)(3)]
- Use the Stafford or PLUS loan proceeds to pay for current-year charges other than tuition, fees, and contracted room and/or board (see [Subsection 8.7.I](#)).  
[§668.164(d)(2)(i); §668.165(b)(1)(i)]
- Deliver Stafford or PLUS loan proceeds via a stored-value card.  
[DCL GEN-05-16]
- Hold a credit balance on behalf of the student or parent borrower, unless prohibited by the [Department](#).  
[§668.165(b)(1)(ii)]
- Use Title IV funds for the current year to pay for minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and board. A school is not required to obtain a student's or [parent borrower's](#) authorization to use Title IV funds from the current year to pay minor, prior-year charges for tuition, fees, room, and board. The sum of all minor, prior-year charges for tuition, fees, room, board, and other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200. (See [Subsection 8.7.I](#).)  
[§668.164(d)(2)(i) and (ii); §668.165(b)(1)(i)]

A school must obtain a parent PLUS borrower's written authorization to deliver [parent PLUS loan](#) funds directly to the student in addition to any other authorization it must obtain from the student (e.g., an authorization to deliver funds to the student's bank account or to the student's stored-value card).

When a school is providing a method for Pell grant-eligible students to obtain necessary books and supplies by the seventh day of classes, the Department considers that a student authorizes the use of Title IV aid at the time the student uses the method provided by the school. In this situation, the school need not collect an additional authorization from the student.

[§668.164(i)(iv)]<sup>1</sup>

See [Section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

When obtaining an authorization for any of these activities, a [school](#) may not require or coerce the student or [parent borrower](#) to provide the authorization. In addition, the school must allow the student or parent borrower to cancel or modify the authorization at any time. The school also must clearly explain to the borrower how the school will carry out the activity.

[§668.165(b)(2)(i) through (iii)]

The authorization is valid for the entire period during which the student is [enrolled](#) at the school, unless the authorization is canceled or modified by the student or parent borrower.

[§668.165(b)(3) and (4)]

### 8.3.A Authorization Modifications and Cancellations

If the student or parent borrower requests that an authorization be modified, the modification becomes effective on the date the school receives the request.

[§668.165(b)(4)(i)]

If the student or parent borrower requests cancellation of his or her authorization to use [loan proceeds](#) to pay authorized charges, the school may use those proceeds to pay only those charges incurred by the student prior to the date the school received the cancellation.

[§668.165(b)(4)(ii)]

If a student or [parent borrower](#) cancels the authorization for the [school](#) to hold a credit balance, the school must pay those proceeds directly to the student or parent borrower as soon as possible, but no later than 14 days after the date the school receives the cancellation.

[§668.165(b)(4)(iii)]

<sup>1</sup> Policy 1246 (Batch 178), approved April 21, 2011

## 8.4

### Assessing Satisfactory Academic Progress

Federal regulations require that a school must measure a student's satisfactory academic progress (SAP) in accordance with the school's published SAP policy before delivering the loan proceeds disbursing Title IV aid. The school's SAP policy for Title IV programs must meet all of the following criteria:

- It must be at least as strict as the policy the school applies to a student who is not receiving Title IV aid.
- It must provide for consistent application of standards for all students within categories of students (e.g., full-time, part-time, undergraduate, or graduate students), and educational programs.
- At a minimum, SAP must be evaluated:
  - = At the end of each payment period if the educational program is one academic year in length or less; or
  - = At least annually to correspond with the end of a payment period if the educational program is more than one academic year in length.

At some schools, SAP verification is performed before the delivery of each disbursement, while at others, SAP may be assessed at specific times during the academic year, such as at the beginning of each term.

[§668.32(f); §668.34(a)(1) – (3)]

A school's SAP standards must be applied consistently, and must include both a qualitative and a quantitative measure.

#### Qualitative Measure

A school's policy must specify the grade point average (GPA), or comparable assessment measured against a norm, that a student must achieve at each evaluation. If the educational program is more than two academic years, the student must have a GPA of at least a "C" or its equivalent, or have academic standing consistent with the school's requirements for graduation at the end of the second academic year of the educational program.

[§668.34(a)(4)]

#### Quantitative Measure

A school's policy must specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the

maximum permissible timeframe. Pace is calculated by dividing the total number of hours the student has successfully completed by the total number of hours the student has attempted. Remedial courses do not have to be included in the pace calculation. A maximum time frame for program completion and a minimum quality standard, such as grade point average, must be established. A student's quantitative progress must be assessed at each SAP evaluation each academic year, at a minimum. Federal regulations permit a school to may establish its own maximum time frame for program completion, provided the school's time frame for an undergraduate program does not exceed 150% of the published program length.  
[§668.16(e); §668.34(a)(5)]

In measuring SAP for subsequent disbursements, the school is not required to develop a system that is separate from the system the school already has established for verifying progress for subsequent disbursements of other Title IV Programs. However, the progress standards for Title IV aid recipients must be at least as restrictive as those used for students not receiving aid.  
[§668.16(e)(1)]

The school's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, repetitions, or transfers of credits from other schools. Transfer credits that are accepted toward the student's current educational program must be counted as both attempted and completed hours.

[§668.34(a)(6)]

### Financial Aid Warning and Financial Aid Probation

Rules regarding financial aid warning and financial aid probation vary depending on whether the school evaluates SAP at the end of each payment period or less frequently.

#### Schools that evaluate SAP at the End of Each Payment Period

A school that evaluates SAP at the end of each payment period has the option of placing a student on financial aid warning for one payment period, or placing the student on financial aid probation following a successful appeal. The school's SAP policy must explain the use of these statuses, and the statuses must be applied consistently and in compliance with federal regulations as explained in the following paragraphs.<sup>1</sup>

<sup>1</sup>. Policy 1241 (Batch 177), approved April 21, 2011

A school that evaluates SAP at the end of each payment period—including a summer term—may disburse Title IV aid to a student who is not meeting SAP requirements as follows:

- For the next payment period in which the student is enrolled following the payment period in which the student did not make satisfactory academic progress, the school may:
  - = Place the student on financial aid warning and disburse Title IV aid to the student. Financial aid warning does not require an appeal or any other action on the part of the student.
  - = Place the student directly on financial aid probation—following the required procedures for financial aid probation as outlined in the following bullet—and disburse Title IV aid to the student.
- For the next payment period in which the student is enrolled following a payment period in which the student was on financial aid warning, the school may place the student on financial aid probation, if all of the following criteria are met:
  - = The school evaluates the student's progress and determines that the student did not comply with SAP requirements by the end of the payment period when the student was on financial aid warning.
  - = The student successfully appeals the determination (See information under "Student Appeals" later in this section).
  - = The school determines that the student should be able to meet the school's SAP standards during and at the end of the subsequent payment period, or the school develops an academic plan that, if followed, will ensure that the student is able to meet the school's SAP standards by a specific point in time.

A student on financial aid probation for one payment period may not receive Title IV aid for the subsequent payment period unless the student complies with SAP standards or the school determines that the student complied with the requirements of an academic plan developed by the school. [[§668.34\(a\)\(8\)](#); [§668.34\(c\)](#)]

#### *Schools that Evaluate SAP Annually or Less Frequently than at the End of Each Payment Period*

A school that evaluates SAP annually or less frequently than at the end of each payment period does not have the option of placing a student on financial aid warning for one payment period. However, a student may be placed on financial aid probation, and the school may disburse Title IV aid to the student for the next payment period in which the student is enrolled, if all of the following criteria are met:

- The school evaluates the student's progress and determines that the student is not meeting SAP requirements.
- The student successfully appeals the determination (See information under "Student Appeals" later in this section).
- The school determines that the student should be able to meet the school's SAP standards by the end of the subsequent payment period or the school develops an academic plan that, if followed, will ensure that the student is able to meet the school's SAP standards by a specific point in time.

A student on financial aid probation for one payment period may not receive Title IV aid for the subsequent payment period unless the student complies with SAP standards or the school determines that the student complied with the requirements of an academic plan developed by the school. [[§668.34\(a\)\(8\)\(ii\)](#); [§668.34\(d\)](#)]

#### **Student Appeals**

If a school allows a student to appeal its determination that the student is not complying with SAP requirements, the school's appeal policy must include each of the following:

- What the student must do to reestablish his or her Title IV eligibility.
- The circumstances under which the student may file an appeal (i.e., death of a relative, injury or illness of the student, or other special circumstances).
- Information the student must submit explaining why the student failed to comply with SAP requirements, and what has changed in the student's situation that will allow the student to comply with SAP requirements at the next evaluation.<sup>1</sup>

<sup>1</sup>. Policy 1241 (Batch 177), approved April 21, 2011

If a school does not allow a student to appeal its determination that the student is not complying with SAP requirements, the policy must describe how the student may reestablish Title IV eligibility.

### Loss of Title IV Eligibility

Except in the case of a student who is placed on *financial aid warning* or *financial aid probation*, a student who is not meeting the school's qualitative or quantitative measures at the time of any evaluation is not eligible to receive additional Title IV aid.  
[\[§668.34\(a\)\(7\)\]](#)

### Notification

A school's SAP policy must provide for notification to a student of the results of an evaluation that impacts the student's eligibility for Title IV aid. If the school does not permit a student to appeal a determination that he or she is not making SAP, the policy must describe how the student may reestablish his or her eligibility to receive Title IV aid. If the school permits a student to appeal a determination that he or she is not making SAP, the policy must describe how the student may reestablish his or her Title IV eligibility; the basis on which a student may file an appeal; information the student must submit regarding why the student failed to make SAP; and what has changed in the student's situation that will allow the student to demonstrate SAP at the next evaluation.  
[\[§668.34\(a\)\(9\) – \(11\)\]](#)

### Definitions applicable to SAP

In the context of SAP provisions, the following definitions apply:

- An *appeal* is a process by which a student who is not meeting the school's SAP standards petitions the school for reconsideration of the student's eligibility for Title IV aid.
- *Financial aid probation* is a status assigned by a school to a student who fails to make SAP, has appealed, and has had eligibility for aid reinstated.
- *Financial aid warning* is a status assigned to a student who fails to make SAP at a school that evaluates SAP at the end of each [payment period](#).

• Maximum timeframe is:

- For an undergraduate program measured in credit hours, a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours;
- For an undergraduate program measured in [clock hours](#), a period that is no longer than 150 percent of the published length of the educational program, as measured by the cumulative number of clock hours the student is required to complete and expressed in calendar time; and
- For a graduate program, a period defined by the institution that is based on the length of the educational program.  
[\[§668.34\(b\)\]<sup>1</sup>](#)

See [Section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

## 8.5 Completing Verification

The school may not deliver loan proceeds before the [verification](#) process is complete, if verification is required (see [Subsection 6.6.A](#)). If the school does not receive the required financial aid information, or if the student does not complete the verification process within 45 days from the date the school receives the proceeds, the school must return the proceeds to the lender promptly, but no later than 10 business days after the last day of the 45-day period. If, during the 10-business-day return period, all financial aid information is received or the verification process is completed, the school may deliver the proceeds rather than return them to the lender, provided the delivery is made on or before the last day of the return period.  
[\[§668.58\(c\); §668.60\(b\)\(1\)\(D\) and \(b\)\(3\)\]](#)

See [Section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

<sup>1</sup>. Policy 1241 (Batch 177), approved April 21, 2011



school has a written policy that permits excused absences and the number of excused absences does not exceed the lesser of:

- The number of excused absences permitted under the policy of the school's [accrediting agency](#).  
[§668.164(b)(3)(ii)(A)]
- The number of excused absences permitted under the policy of any [state](#) agency that licenses the school or legally authorizes the school to operate in the state.  
[§668.164(b)(3)(ii)(B)]
- 10% of the clock hours in the [payment period](#).  
[§668.164(b)(3)(ii)(C)]

## 8.7.C Early Delivery

The school may deliver a registered student's [loan proceeds](#) before the first day of classes (unless the student is subject to [delayed delivery](#)) after verifying that the student is registered at least half time and, for a continuing student, is maintaining [satisfactory academic progress \(SAP\)](#).  
[§668.164(f)]

### Credit-Hour Programs Using Standard Terms

If the student is [enrolled](#) in a credit-hour program that is offered in semester, trimester, or quarter academic terms, the earliest a school may directly pay or credit the account of a registered student not subject to delayed delivery, or pay the [parent](#) borrower in the case of a [parent PLUS loan](#), is 10 days before the first day of the [payment period](#).  
[§668.164(f)(1)]

### Clock-Hour and Nonstandard Term-Based Programs

If the student is enrolled in a [clock-hour](#) program or a credit-hour program that is not offered in semester, trimester, or quarter academic terms, the earliest a school may directly pay or credit the account of a registered student who is not subject to delayed delivery, or pay the parent borrower in the case of a [parent PLUS loan](#), is the later of:

- 10 days before the first day of the payment period.  
[§668.164(f)(2)(i)]
- The date the student completes the previous payment period for which the student received FFELP proceeds.  
[§668.164(f)(2)(ii)]

See [Figure 8-4](#) for information on the earliest dates that loan funds may be disbursed and delivered. Refer to [Subsection 8.7.B](#) for additional provisions related to second or subsequent [disbursements](#). See [Subsection 8.7.F](#) for more information about special delivery rules that apply to a student who is enrolled in a credit-hour program offered in [modules](#).

### Applying Estimated Amounts

When a school credits an estimated amount of school [funds](#) to a student's account in advance of the receipt of FFELP proceeds, and this occurs earlier than 10 days before the first day of the payment period, the [Department](#) considers the loan proceeds to have been delivered on the 10th day before the first day of the payment period. If the school does not record the advance funds as an estimated amount, the Department considers the delivery to have occurred on the date the school recorded the credit to the student's account at the school.

[§668.164(a)(2)]

### Provisions for Necessary Books and Supplies

A school must provide certain Pell grant-eligible students with a method to obtain or purchase necessary books and supplies required for the payment period. A school must ensure that the student has access to those funds or to the necessary books and supplies no later than the seventh day of the payment period. A school must provide this access to funds if all of the following criteria apply:

- The student is eligible for Pell grant funds.
- The school could disburse funds 10 days prior to the start of the payment period for that student.
- A credit balance would be created by the disbursement of all funds for which the student was eligible 10 days prior to the start of the payment period. This does not include the following:
  - = The amount of a Stafford loan disbursement that is subject to a 30-day delay, because the school may not disburse those funds 10 days before the start of that student's payment period.
  - = Aid that has not yet been awarded to a student at least 10 days before the start of classes because the student missed a financial aid deadline date.<sup>1</sup>

<sup>1</sup>. Policy 1246 (Batch 178), approved April 21, 2011

- = Aid to a student who had not completed the verification process, had an unresolved “C” code on the SAR and ISIR, or had unresolved conflicting information, 10 days prior to the payment period.  
[§668.164(i)]

The school must make a single method available to eligible students and may provide an alternative method by which a student may obtain necessary books and supplies if the student opts out of the school’s preferred method. A school has several options for providing its students with a method to obtain the necessary books and supplies, for example, cash or check; stored-value card or bookstore voucher; or, a short-term loan.

When two eligible schools have a consortium agreement, the payment period of the school that pays the funds dictates the timing of the student’s ability to obtain the necessary books and supplies. If the “home” school pays the funds, then the student must be able to purchase the necessary books and supplies by the seventh day of the payment period of the home school; if the “host” school pays the funds, then the student must be able to purchase the necessary books and supplies by the seventh day of the payment period at the host school.

Although this is a requirement for Pell grant-eligible students, a school may use the same process to make funds for necessary books and supplies available to all of its Title IV-eligible students.

[§668.164(i); *Federal Register* dated October 29, 2010, pp. 66929-66931]<sup>1</sup>

## 8.7.D Delayed Delivery

Unless a school qualifies for an exemption (see the following paragraphs), the school must not deliver the first **disbursement** of a Stafford loan to a first-year **undergraduate student** who is a first-time borrower (that is, an undergraduate student who is **enrolled** in the first year of a **program of study** and who has not previously received a Stafford [FFELP or Direct] or SLS loan) until the student completes the first 30 days of his or her program of study. Delivery includes crediting proceeds to the student’s account as well as delivering proceeds directly to the student. Before the delivery of proceeds, the school must confirm the student’s eligibility.

Note: A school must provide certain Pell grant-eligible students with Title IV credit balance funds to obtain or purchase necessary books and supplies. For this purpose, a school may not consider a first disbursement of Stafford loan funds as funds for which the student would have been eligible 10 days prior to the start of the payment period if the student is subject to the federal 30-day delayed delivery provisions.

[HEA §428G(b)(1); §668.164(f)(3); §668.164(i); §682.604(c)(5)]<sup>2</sup>

See **Figure 8-4** for information on the earliest dates that loan funds may be disbursed and delivered.

### Low Cohort Default Rate Exemptions

A school is not required to delay the delivery of the first disbursement of a Stafford loan to a first-year undergraduate student who is a first-time borrower in the following cases:

- The school’s official **cohort default rate** is less than 10% for each of the three most recent fiscal years for which data are available.  
[HEA §428G(b)(1)]
- The school at which a student will receive course credit in a study-abroad program has an official **cohort default rate** that is less than 5% for the most recent fiscal year for which data are available.

A school may begin certifying loans based on these exemptions when it receives from the Department its official cohort default rate notification letter (see **Section 16.1**), or notification of a successful adjustment or appeal. The school must cease certifying loans based upon these exemptions no later than 30 days after the date it receives notification from the Department of an official **cohort default rate** that causes the school to no longer meet the necessary qualifications for an exemption.  
[HEA §428G(b)(1) and (e); §682.603(i)(2); §682.604(c)(5); *Cohort Default Rate Guide*]

### Applying Estimated Amounts

When a school credits an estimated amount of school funds to a student’s account in advance of the receipt of FFELP proceeds, and this occurs earlier than the 31st day of the first **payment period**, the Department considers the **loan proceeds** to have been delivered on the 31st day. If the school does not record the advance funds as an estimated amount, the Department considers the delivery to have

<sup>1</sup> Policy 1246 (Batch 178), approved April 21, 2011

<sup>2</sup> Policy 1246 (Batch 178), approved April 21, 2011

requirements for lenders, see [Subsection 7.7.G](#). For information on preventing overawards, see [Subsection 6.15.A](#).

## 8.7.F Delivery in Credit-Hour Programs Offered in Modules

When a student is enrolled in a credit-hour program offered in modules (see [Subsection 6.3.A](#)) but the student will not attend the first module in a payment period, the date the school uses to determine when Stafford or PLUS loan funds may be delivered is the starting date of the first module in the payment period that the school expects the student to attend. For example, the earliest that a school may deliver loan funds to a student who begins enrollment in the second of three 5-week modules that comprise a payment period is 10 days prior to the first day of the second module (or the 31st day of the second module for a Stafford loan that the school certifies for a borrower who is subject to [delayed delivery](#)).

[09-10 FSA Handbook, Volume 3, Chapter 1, p. 3-21]

A borrower subject to delayed delivery (see [Subsection 8.7.D](#)) who is enrolled in a module that is less than 30 days in length is not eligible to receive Stafford loan funds until the student completes the first 30 days of his or her program of study. This may result in the school delivering the funds during a subsequent module or, in the case of a term-based program offered in modules, during the next full term.

If the loan period for a Stafford or PLUS loan consists of one payment period and does not qualify for a multiple disbursement exemption (see [Subsection 6.4.A](#)), the school must deliver the second disbursement no earlier than the *later of* the calendar midpoint between the first and last scheduled days of class of the loan period, or the first day of the first subsequent module that the student will actually attend, in the following types of programs:

- A standard term-based, credit-hour program.
- A nonstandard term-based, credit-hour program in which all of the terms are at least 9 weeks and substantially equal in length.

A school must ensure that it does not deliver the proceeds of a Stafford loan, a parent PLUS loan, or a Grad PLUS loan to a student who has lost his or her eligibility to receive the loan. If a student enrolled in a term-based credit-hour program offered in modules has not received the first disbursement of a Stafford or PLUS loan and the student drops to less-than-half-time enrollment or withdraws before beginning attendance on at least a half-time basis,

the school must not make a late delivery, or as applicable, a [post-withdrawal disbursement](#) of loan funds to the student. [09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-79]

If a student withdraws from a term-based, credit-hour program offered in modules during a [payment period](#) or, as applicable, [period of enrollment](#), and resumes enrollment in the same program before the end of the period, the school must determine the student's eligibility for Title IV aid that was [previously returned or canceled as the result of the student's withdrawal](#). Certain restrictions apply. See [Subsection 8.7.G](#) for more information.<sup>1</sup>

## 8.7.G Delivery to Borrowers in Special Circumstances

A school may be restricted from delivering funds to a student under certain circumstances or until such circumstances are resolved. This subsection details the actions a school must take in each of those situations.

### Leaves of Absence

A school may neither credit a student's account nor deliver loan proceeds to the student or [parent borrower](#) while the student is on an approved [leave of absence](#). If the student returns from an approved leave of absence on at least a half-time basis within 10 business days of the school's receipt of loan proceeds by [EFT](#) or [master check](#), or within 30 days of the school's receipt of loan proceeds by individual [check](#), the school may credit a student's account or deliver loan proceeds to the borrower. If the school returns loan proceeds received while the student is on an approved leave of absence, the school may request that the [lender](#) reissue those loan proceeds to coincide with the student's scheduled return from the approved leave of absence. For more information on the delivery of loan proceeds to a student on an approved leave of absence, see [Section 9.3](#). [[§668.167\(b\)](#); [§682.604\(c\)\(4\)](#)]

### Bankruptcy

If the school is notified by the lender of a [bankruptcy](#) action and is instructed to return any [Title IV](#) loan funds that have not been released to the borrower, the school must immediately return any undelivered funds to the lender. In addition, if the school receives notification that a Stafford or PLUS borrower has filed a bankruptcy action after the school certified the loan but before the funds have been delivered to the borrower, the school should return any undelivered funds to the lender. The school must include an

<sup>1</sup> Policy 1243 (Batch 177), approved April 21, 2011

explanation that the funds are being returned because the borrower has filed for bankruptcy and must attach a copy of any [documentation](#) it possesses regarding the bankruptcy. The school is *not* required to ask borrowers, as part of the loan [certification](#) or delivery process, whether they have filed for bankruptcy.

### Temporary Change in Enrollment Status

If, before the delivery of the proceeds of a [disbursement](#) to the student, the student temporarily ceases to be [enrolled](#) at least half time, the school may deliver the proceeds of that disbursement and any subsequent disbursement to the student if the school determines and documents in the student's file all of the following:

- That the student has resumed enrollment on at least a half-time basis.  
[§682.604(b)(2)(iv)(A)]
- The student's revised [cost of attendance \(COA\)](#).  
[§682.604(b)(2)(iv)(B)]
- That the student continues to qualify for the entire amount of the loan, notwithstanding any reduction in the student's COA caused by the student's temporary cessation of enrollment at least half time.  
[§682.604(b)(2)(iv)(C)]

### Withdrawal and Return to a Term-Based Credit-Hour Program Offered in Modules

If a student withdraws from a term-based credit-hour program offered in modules (see the Glossary definition of “[module](#)”) during a [payment period](#) or, as applicable, [period of enrollment](#), and resumes enrollment in the same program before the end of the period, the school must determine the student's eligibility to receive Title IV aid for which he or she was eligible prior to the student's withdrawal. The student is eligible to receive Title IV aid that the school or the student returned as the result of the return of Title IV funds calculation, and any Title IV aid that was canceled due to the student's withdrawal, if the school determines and documents the student's eligibility—and makes any required adjustments—based on both of the following:

- The student's enrollment status upon his or her return to the program.
- The student's revised [cost of attendance \(COA\)](#), taking into account any reduction in the COA caused by the student's temporary cessation of attendance.

[§682.22(a)(2)(iii)(A); *Federal Register* dated October 29, 2010, p. 66894]<sup>1</sup>

### Unverified Social Security Number

If the [Social Security number \(SSN\)](#) has not been verified, and a FFELP loan has been guaranteed for the student, the school must instruct the lender and [guarantor](#) to cease further disbursements of the loan until the Department or the school determines that the student's SSN is correct. If the student fails to verify the SSN within the delivery time frames in [Subsection 8.7.A](#), the school must return to the lender the affected FFELP loan disbursements for the student.

[§668.36]

## 8.7.H Delivery to Transfer Students

A Stafford or PLUS loan may be used only to cover the [cost of attendance \(COA\)](#) at the school that certifies the borrower's eligibility for the loan. If a student transfers between schools, both the student's COA and [estimated financial assistance \(EFA\)](#) may change substantially at the new school, and the change could affect the borrower's eligibility for the loan. Under these circumstances, unless the borrower is eligible for a [late disbursement](#) or a [post-withdrawal disbursement](#), neither the student nor the [parent](#) borrower is eligible to receive the undisbursed loan funds that were guaranteed for the student's attendance at the previous school. The student or parent borrower seeking additional Stafford or PLUS loan [funds](#) must reapply at the new school. For information on post-withdrawal disbursements, see [Subsection 9.5.A](#). For information on late disbursements, see [Subsection 7.7.G](#).

The school may not deliver Stafford or PLUS [loan proceeds](#) to a student or parent of a student who previously attended another eligible school until the school the student is attending determines, from information obtained through the [National Student Loan Data System \(NSLDS\)](#) or its successor system, all of the following:

- The student is not in [default](#) on any Title IV program loan.  
[§668.19(a)(1)]
- The student does not owe an overpayment on any Title IV program grant or [Federal Perkins loan](#).  
[§668.19(a)(2)]
- For the [award year](#) for which a Federal [Pell grant](#), an [Academic Competitiveness grant \(ACG\)](#), and/or a [National SMART grant](#) is requested, the student's scheduled Federal Pell grant, ACG, and/or National

<sup>1</sup> Policy 1243 (Batch 177), approved April 21, 2011



If the student's program of study is more than one academic year in length and the school charges the total costs of that program of study at the beginning of the program, then the school must apportion the program's total charges to each applicable "year" (i.e., each loan period or award year, as appropriate) to determine what, if any, minor, prior-year charges may be paid with current-year Title IV funds.<sup>1</sup>

The school must allocate charges to each year or portion of a year based on the education and other services the school provides to the student during the period of time associated with each year or portion of a year. This apportionment determines the amount of charges applicable to the current and prior years. Charges for books, equipment, supplies, or other materials could be allocated on a pro rata basis, or alternatively, could be allocated to the period in which the school requires the student to purchase them. The school must also use the portion of the program's total charges that it allocates to each "year" for the purpose of determining whether the student has a credit balance of Title IV funds (see [Section 8.8](#)).

The allocation of charges for the purposes of paying minor prior-year charges and determining when a credit balance has been created on the student's account does not modify the calculation of [cost of attendance](#) for determining a student's aid package, nor does it modify the [return of Title IV funds](#) calculation. For more information on calculating the cost of attendance, see [Section 6.5](#). For more information on the treatment of institutional costs in the return of Title IV funds calculation, see [Subsection 9.5.A](#). [[§668.164\(d\)\(2\) and \(e\)](#); [DCL GEN-09-11](#); [09-10 FSA Handbook, Volume 4, Chapter 1, pp. 4-11 to 4-14](#)]<sup>2</sup>

For more information on required authorizations, see [Section 8.3](#).

### Direct Delivery to a Borrower

The school may choose to use any of the following methods to pay the student or parent borrower directly:

- Issuing a [check](#) or other instrument to the [borrower](#) that requires endorsement or [certification](#). The school may issue a check by releasing or mailing it to the borrower or by notifying the student that it is available for immediate pickup at a specified location at the school. [[§668.164\(c\)\(1\)\(ii\)](#)]
- Releasing or mailing to the borrower a check that has been provided by a lender. [[§668.164\(c\)\(1\)\(i\)](#)]

- Initiating an [electronic funds transfer \(EFT\)](#) to a bank account designated by the student or [parent borrower](#). The bank account must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). [[§668.164\(c\)\(1\)\(iii\), \(2\), and \(3\)](#)]
- Issuing a stored-value card to the student, in which case the school must obtain authorization from the student or [parent borrower](#), as applicable. If a bank account underlies a stored-value card, the bank account must be insured by the FDIC or the NCUSIF. [[§668.164\(c\)\(2\) and \(3\)](#)]
- Dispensing cash for which a school obtains a signed receipt from the student or parent borrower. [[§668.164\(c\)\(1\)\(iv\)](#)]

To help prevent fraud, the school is encouraged to verify the student's identity by requiring at least one form of identification with a photograph before delivering the loan proceeds directly to the student. See [Subsection 8.8.B](#) for information regarding the requirements for paying a borrower by issuing a check or stored-value card, or by EFT to a designated bank account. See [Subsection 8.9.A](#) for information regarding the return requirements when a direct delivery attempt fails.

## 8.8 Managing Credit Balances

A [Title IV](#)<sup>3</sup> credit balance is created when a school credits Title IV funds to a student's school account and the total amount of funds credited to the account exceeds the amount of tuition and fees, contracted room and board, and other authorized charges allocated to the current loan period or award year, as appropriate~~that the school assessed the student~~. See [Section 8.3](#) for information about required authorizations, ~~and~~ See [Subsection 8.7.I](#) for a description of what constitutes authorized charges and allocating charges to the current year.<sup>4</sup> See [Subsection 8.7.C](#) subheading ["Provisions for Necessary Books and Supplies"](#) for more information on managing Title IV credit balances. [[§668.164\(e\)](#); [§668.164\(i\)](#);<sup>5</sup> [DCL GEN-09-11](#); [09-10 FSA Handbook, Volume 4, Chapter 1, pp. 4-11 to 4-14](#)]<sup>6</sup>

<sup>1</sup> Policy 1213 (Batch 170), approved September 16, 2010

<sup>2</sup> Policy 1213 (Batch 170), approved September 16, 2010

<sup>3</sup> Policy 1246 (Batch 178), approved April 21, 2011

<sup>4</sup> Policy 1213 (Batch 170), approved September 16, 2010

<sup>5</sup> Policy 1246 (Batch 178), approved April 21, 2011

<sup>6</sup> Policy 1213 (Batch 170), approved September 16, 2010

absence, the school must meet the deadlines required for returning the [loan proceeds](#) to the [lender](#).

[§668.22(b)(1); §682.604(d)(3)]

If a school delivers the loan proceeds on behalf of a student who fails to complete the [loan period](#), the school must determine if funds must be returned to the lender. See [Section 9.5](#) for more information on requirements regarding the return of Title IV aid.

[§668.22(a)(1)]

If either the school or the borrower returns the proceeds of a loan [disbursement](#), the school may request that the lender make subsequent disbursements of the loan, unless the school or the lender has information that the student is no longer [enrolled](#).

[§682.207(b)(1)(vii)]

[Figure 8-6](#) provides situations in which loan funds may be delivered or must be returned, and applicable time frames.

## 8.9.A Return of Undelivered Loan Funds

If the [school](#) is unable to deliver loan proceeds to the borrower within the time frames specified in [Subsection 8.7.A](#), the school must return the loan proceeds to the [lender](#) promptly, but no later than 10 business days after the last day of the initial or conditional period, as applicable. This period is referred to as the return period. For more information on the initial and conditional periods for delivery of proceeds, see [Subsection 8.7.A](#).

[§668.167(b)(2)]

If a student does not register for the [payment period](#) for which a loan is made, or a registered student withdraws, is expelled prior to the first day of classes, or fails to maintain at least half-time enrollment, the school must return the undelivered loan proceeds to the lender promptly, but no later than:

[§682.604(d)(3)]

- 13 business days after the school's receipt of proceeds disbursed by [EFT](#) or [master check](#).  
[§668.167(b)(2)]
- 30 days (initial period) plus 10 business days (return period) after the school's receipt of proceeds disbursed by individual [check](#).  
[§668.167(b)(2)]

For purposes of returning undelivered proceeds to the lender, the term “promptly” means that a school may not delay initiating and completing its normal return process. “Returning the proceeds promptly, but no later than

10 business days” means that the school must either mail a check or initiate an [electronic funds transfer](#) to the lender by the close of business of the last day of the return period.

[[Department of Education Policy Bulletin dated June 2, 1997](#)]

If the school tries to deliver FFELP loan funds to a student or [parent](#) borrower who does not receive or fails to negotiate those funds, and the funds are unclaimed, the school must return the funds to the lender. Even if state laws or regulations would otherwise require the return of unclaimed funds to the state, loans disbursed under the FFELP and not claimed by the intended recipient must be returned to the FFELP lender.

[§668.164(h)(1)]

If the funds are delivered by individual check and the check is returned, or if the funds are delivered by EFT and the EFT transaction is rejected, the school may make additional attempts to deliver the funds. The school's subsequent attempts to deliver the funds must begin no later than 45 days after the funds were returned or rejected, as applicable. The school may continue to attempt to deliver the funds for a period of up to 240 days after the date of the initial delivery attempt. However, if efforts to deliver the funds are unsuccessful, the school must return the undelivered funds to the lender no later than the end of that 240-day period.

[§668.164(h)(2) and (3)]

If the school chooses not to make subsequent attempts to deliver the loan funds, the school must return the funds to the lender no later than 45 days after the loan funds were rejected or returned.

[§668.164(h)(3)(i)]

## 8.9.B Return of Ineligible Borrower Loan Funds

If ~~FFELP~~ loan funds have been delivered to, or on behalf of, a student who did not begin attendance in a [loan period](#), or [payment period](#) within the loan period, the borrower may be considered ineligible for those funds. A student did not begin attendance if the school is unable to document the student's attendance in any class during a loan period, or during a payment period within the loan period. The determination of whether the ineligibility is due to borrower, school, or lender error is contingent upon when the funds were delivered. See [Section 5.16](#) for more information about ineligibility for loan funds due to borrower, school, or lender error.

[§668.21(c)]<sup>1</sup>

<sup>1</sup> Policy 1246 (Batch 178), approved April 21, 2011



If a student does not begin attendance at the school and the school has credited the student's account or delivered any Title IV aid directly to the student, the school must return all of those funds to their respective program(s). Those funds must be returned as soon as possible, but no later than 30 days after the date the school determined that the student did not begin attendance. The funds that the school must return are not a student Title IV liability and will not affect the student's Title IV eligibility. However, school charges not paid by financial aid funds are a student liability owed to the school and are subject to the school's own collection process.

If the school provides a bookstore voucher for a student to obtain or purchase necessary books and supplies, those expenses are considered school charges because the student does not have a real and reasonable opportunity to purchase the materials from any other source. The school must include those charges as school charges in determining the portion of unearned Title IV aid that the school is responsible for returning. (See the [09-10 FSA Handbook, Volume 5, pp. 10-12](#) for more information on when a student fails to begin attendance and [Volume 5, Chapter 9, School Reporting Responsibilities and the Return of Title IV Aid.](#))  
[§668.164(i)]<sup>1</sup>

### Ineligibility Due to Borrower Error

A borrower is considered ineligible for FFELP loan funds due to borrower error if any of the following occur:

- The school delivered loan funds to, or on behalf of, an otherwise eligible student as early as 10 days prior to the beginning of a loan period, and the school later learned that the student did not begin attendance in the loan period.
- The school delivered loan funds to, or on behalf of, an otherwise eligible student as early as 10 days prior to a second or subsequent payment period in the loan period, and the school later learned that the student did not begin attendance in the second or subsequent payment period.
- The lender directly disbursed funds to a study-abroad or [foreign school](#) student and the student did not begin attendance in the loan period or payment period.

The school will not be assessed any liability for delivering loan funds in this instance unless the school knew or should have known that the borrower was ineligible to receive the

funds at the time they were delivered. However, the school must return to the lender all loan funds credited to the student's account at the school for the loan period or payment period, as applicable, that the student did not attend. The school must also return to the lender the amount of payments made directly by, or on behalf of, the student to the school for the loan period or payment period that the student did not attend, up to the total amount of the loan funds disbursed to the school. A school must return to the lender those funds for which it is responsible as soon as possible, but no later than 30 days after the date that the school becomes aware that the student will not, or has not, begun attendance.

[§668.21(a) and (b)]

For loan funds that a lender disbursed or a school delivered directly to a borrower for a [loan period](#), or a [payment period](#) in which the student did not begin attendance, the school is not responsible for returning the funds. However, upon learning that a student will not, or did not, begin attendance, the school must immediately notify the lender of the borrower's receipt of funds for which he or she was ineligible, including loan funds that a lender disbursed directly to a student enrolled in study-abroad or [foreign school](#) program. A school should include in its notice to the lender the student's withdrawal date, if applicable. For information about a lender's servicing requirements on ineligible loans, see [Subsection 12.4.F](#).

[§668.21(a)(2)(ii)]

### Ineligibility Due to School Error

A borrower is ineligible for loan funds due to school error if a school knew, or should have known, that a student would not begin attendance during the loan period, or a payment period within the loan period, before the school delivered loan proceeds to, or on behalf of, a student (e.g., the student notified the school that he or she would not attend or the school expelled the student). The school must repay those funds to the lender as soon as possible, but no later than 30 days after the date that the school becomes aware that the student will not, or did not, begin attendance. The amount paid to the lender must include the amount disbursed that the borrower was ineligible to receive plus any outstanding accrued interest due to the lender, but must not include any payment or [prepayment](#) made by the borrower prior to the date the school repays the ineligible funds. The school also must repay to the Department any interest and [special allowance](#) benefits paid to the lender from the date of disbursement through the date the school repays the funds. If the school refunds subsidized interest and special allowance to the lender, the lender must make an appropriate adjustment on its next quarterly [Lender's](#)

<sup>1</sup> Policy 1246 (Batch 178), approved April 21, 2011

multiple official notifications of his or her intent to withdraw, the earliest date must be used.

[§668.22(c)(1)(ii); DCL GEN-98-28]

The school may allow a student to rescind his or her official notification to withdraw if the student signs a written statement that he or she is continuing to participate in academically related activities and intends to complete the payment period or period of enrollment, as applicable. If the student subsequently fails to attend or ceases attendance without completing the payment period or period of enrollment, the student's withdrawal date is the original date of notification of intent to withdraw, unless the school records a later date on which the student participated in an academically related activity.

[§668.22(c)(2)(i)(A) and (B)]

#### *Official Notification of Withdrawal Not Provided by Student*

If the student does not initiate the withdrawal process, the withdrawal date is one of the following:

- The midpoint of the payment period (or period of enrollment, if applicable).  
[§668.22(c)(1)(iii); DCL GEN-98-28]
- The date the student began an approved leave of absence, if the student fails to return from the leave of absence.  
[§668.22(c)(1)(v)]
- The date that the student begins an unapproved leave of absence (i.e., a leave of absence that does not comply with Title IV requirements).  
[§668.22(c)(1)(vi)]
- The date related to any of the following conditions that result in the student's withdrawal:
  - Illness.
  - Accident.
  - Grievous personal loss.
  - Death.
  - Other circumstances beyond the student's control.  
[§668.22(c)(1)(iv); 09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-73]

As an alternative to the preceding dates, the school may use one of the following as a withdrawal date when a student does not initiate the withdrawal process:

- The last date of attendance participation by the student in an academically related activity as documented by the school. “Academically-related activities” Attendance at an “academically-related activity” includes, but ~~are is~~ not limited to: ~~exams, tutorials, computer-assisted instruction, academic counseling, turning in class assignments, or attending study groups assigned by the school.~~

- Physically attending a class where there is an opportunity for a direct interaction between the instructor and the student.
  - Submitting an academic assignment.
  - Taking an exam.
  - Participating in an interactive tutorial.
  - Engaging in computer-assisted instruction.
  - Attending a study group that is assigned by the school.
  - Participating in an online discussion about academic matters.
  - Initiating contact with a faculty member to ask a question about the academic subject studied in the course.  
[§668.22(l)(7)(i)(A)]
- Attendance at an “academically-related activity” does not include an activity in which a student may be present but not academically engaged, including, but not limited to:
- Living in school housing.
  - Participating in the school's meal plan.
  - Logging into an online class without active participation.
  - Participating in academic counseling or advisement.  
[§668.22(l)(7)(i)(B)]<sup>1</sup>

<sup>1</sup>. Policy 1247 (Batch 178), approved April 21, 2011

~~The school's must confirm and documentation of such document the student's attendance at an academically-related activity-activities must contain confirmation that the student participated. A school may not rely solely on a student's self-certification that he or she attended an academically-related activity.~~  
[\[§668.22\(c\)\(3\)\(i\) and \(ii\); §668.22\(l\)\(7\)\(ii\)\]](#)<sup>1</sup>

- The date, as determined by the school, when circumstances beyond the student's control occurred (such as illness, accident, or grievous personal loss), prevented him or her from providing official notification to the school.  
[\[§668.22\(c\)\(1\)\(iv\); DCL GEN-98-28\]](#)

A school must have procedures in place to identify and resolve instances in which a student's attendance cannot be confirmed through the end of the payment period or period of enrollment, as applicable. These instances constitute unofficial withdrawals.

If a student does not earn a passing grade in at least one class ~~in which that~~ he or she was ~~enrolled~~ scheduled to attend in a payment period or period of enrollment, as applicable, the school may not presume that the student completed ~~the payment that period or period of enrollment, as applicable.~~ If the school cannot confirm the student's attendance through the end of ~~the payment that period or period of enrollment, as applicable,~~ the school must treat the student as an unofficial withdrawal. The school must use establish a withdrawal date for the student that is either the midpoint of the period or the student's last day of participation in date of attendance at an academically related activity—, as documented by the school—as the student's withdrawal date.

[\[DCL GEN-04-03; 09-10 FSA Handbook, Volume 5, Chapter 2, pp. 5-75 to 5-76; 10-11 FSA Handbook, Volume 5, Chapter 2, pp. 5-77 to 5-78\]](#)

For a student enrolled in a credit-hour program offered in modules, a school must apply different rules for determining whether a student has unofficially withdrawn based on a failing grade(s). See the subheading *Withdrawal from a Credit-Hour Program Offered in Modules*, below.

#### **Withdrawals From Standard Term-Based a Credit-Hour Programs Offered in Modules**

~~When a student withdraws from a standard term-based program offered in modules, the school must determine if a return of Title IV funds calculation is necessary based on the following criteria. (See Subsection 9.5.A for information about the principles that apply to a withdrawal from a standard term-based program offered in modules.)~~

- ~~If the student withdraws after the completion of at least one course in one of the modules within the term, the student is not considered to have withdrawn for return of Title IV funds purposes and a return calculation is not required. A school is not required to perform a return of Title IV funds calculation or return a Stafford or PLUS loan disbursement that the school had previously delivered to a student who dropped to less than half time enrollment resulting from the student's failure to begin attendance in all subsequent modules in a term. In such a case, the student was scheduled to attend on at least a half time basis during the term at the time the school delivered Stafford or PLUS loan funds.~~

~~If a student's withdrawal after completing at least one course in one module within a term results in the student's failure to begin attendance in the number of credit hours for which a Pell grant was awarded, a school must recalculate the student's eligibility for the Pell grant and campus-based funds based on a revised cost of attendance and enrollment status. See the 09-10 FSA Handbook, Volume 5, Chapter 2, and Volume 3, Chapter 3, for more information.~~

- ~~If the student withdraws prior to the completion of at least one course in one module, the student is considered to have withdrawn and the return of Title IV funds requirements apply, with one exception noted in the bullet immediately below. If a student withdraws before beginning attendance on at least a half time basis, the school must not include an undelivered Stafford or PLUS loan disbursement in aid that could have been disbursed for the purpose of the return of Title IV funds calculation. The student is not eligible to receive a post-withdrawal disbursement of Stafford or PLUS loan funds. If a student's withdrawal prior to the completion of at least one course in one module results in the student's failure to begin attendance in the number of credit hours for which a Pell grant was awarded, the school must recalculate the student's eligibility for a Pell grant and campus-based funds based on a revised cost of attendance and enrollment status before the school performs the return of Title IV funds calculation. The school then performs a return of Title IV funds calculation using the student's revised Pell grant and campus-based award. See the 09-10 FSA Handbook, Volume 5, Chapter 2, and Volume 3, Chapter 3, for more information.~~<sup>2</sup>

<sup>1</sup> Policy 1247 (Batch 178), approved April 21, 2011

<sup>2</sup> Policy 1248 (Batch 178), approved April 21, 2011

- If the student withdraws prior to the completion of at least one course in one module and the student provides confirmation to the school—subsequent to his or her withdrawal from the course—that he or she plans to attend a module later in that term, the student is not considered to have withdrawn for return of Title IV funds purposes. The school may not rely solely on registration information obtained from the student prior to his or her withdrawal.
- If the student withdraws prior to the completion of at least one course in one module and provides confirmation that he or she plans to attend a subsequent module within the term but then fails to do so, the student is considered to have withdrawn as of the date that would have applied if the student had not indicated his or her intent to return in a subsequent module within the term.

A school determines if a student enrolled in a program comprised of modules is considered withdrawn and whether a [return of Title IV funds](#) calculation is necessary based on the date the student ceases attendance, the structure of the [program of study](#), whether the student was scheduled to attend a subsequent [module](#) at the time he or she ceased attendance, and, in some cases, the student's [course grade\(s\)](#) or stated intent to attend a subsequent module in the same program and [payment period](#) or, as applicable, [period of enrollment](#).

- A student enrolled in a credit-hour program offered in modules is considered to have withdrawn if the student does not complete all of the calendar days in the payment period or period of enrollment that the student was scheduled to complete.
  - = A course that a student officially drops prior to ceasing attendance is not considered a course that the student was scheduled to attend, unless the student remained enrolled in another concurrent course(s).
  - = A course offered in a module that a student officially adds prior to ceasing attendance is considered a course that the student was scheduled to attend.
  - = A module in which the student does not enroll is not considered a module that the student was scheduled to attend.

[§668.22(a)(2)(i)(A); [Federal Register](#) dated October 29, 2010, p. 66895]

- If a student enrolled in a credit-hour program offered in modules does not earn at least one passing grade in the last course(s) that he or she was scheduled to attend, and the school cannot demonstrate that the student completed the last course(s), the school must assume that the student unofficially withdrew.  
[[Federal Register](#) dated October 29, 2010, p. 66896]
- A student enrolled in a non-term-based or nonstandard term-based program offered in modules is considered to have withdrawn—regardless of whether the student notifies the school of his or her intent to withdraw—if the student is not scheduled to attend another module in the same program and payment period or, as applicable, period of enrollment that begins within 45 days after the end of the module that the student last attended, unless the student is on an approved [leave of absence](#). (See [Section 9.3](#) for more information about leaves of absence.)  
[§668.22(a)(2)(i)(C)]
- A student who ceases attendance in a credit-hour program offered in modules is not considered to have withdrawn if the school obtains written confirmation from the student at the time of his or her withdrawal that the student will attend a subsequent module in the same program and payment period or, as applicable, period of enrollment. The school may not rely solely on the student's enrollment or registration in a subsequent module prior to his or her withdrawal. For a student who ceases attendance in a non-term-based or nonstandard term-based program offered in modules, the subsequent module must begin within 45 days after the end of the module that the student last attended.  
[§668.22(a)(2)(ii)(A)(1) and (2); [Federal Register](#) dated October 29, 2010, p. 66893]
- A student who ceases attendance in a credit-hour program offered in modules and who provides written confirmation of the intent to attend a subsequent module in the same program and payment period or, as applicable, period of enrollment may change the date that he or she will return to a module that begins later in the same period. In such a case, the student is not considered to have withdrawn if the school obtains—prior to the original return date that the student previously confirmed—written confirmation from the student that he or she will resume attendance in the later module. For a student who ceases attendance in a non-term-based or nonstandard term-based program offered in modules, the later module must begin<sup>1</sup>.

<sup>1</sup>. Policy 1248 (Batch 178), approved April 21, 2011

within 45 days after the end of the module that the student last attended.

[§668.22(a)(2)(ii)(B)(1) and (2)]

- If a student who ceases attendance in a credit-hour program offered in modules provides written confirmation of the intent to attend a subsequent module in the same program and payment period or, as applicable, period of enrollment but then fails to do so, the student is considered to have withdrawn as of the date that would have applied if the student had not indicated his or her intent to return in a subsequent module.

[§668.22(a)(2)(ii)(C)]

A school should use the following decision-making process to determine whether a student enrolled in a credit-hour program offered in modules has withdrawn:

Step 1: After beginning attendance in the payment period or, as applicable, period of enrollment, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend?

= No: This is not a withdrawal.

= Yes: Go to Step 2.

Step 2: When the student ceased to attend or failed to begin attendance in a course he or she was scheduled to attend, was the student still attending any other course(s)?

= Yes: This is not a withdrawal, but the school may be required to recalculate the student's eligibility for Pell grant and campus-based funds (see below).

= No: Go to Step 3.

Step 3: Did the school obtain, at the time the student ceased attendance, written confirmation that the student would attend another course in the same program that begins later in the same payment period or, as applicable, period of enrollment? (Note: in a non-term-based or nonstandard term-based program, the subsequent course must begin no later than 45 calendar days after the ending date of the module that the student last attended.)

= Yes: This is not a withdrawal, unless the student does not resume attendance as previously confirmed.

= No: This is a withdrawal.

[Federal Register dated October 29, 2010, p. 66895 and 66896]

If a student enrolled in a credit-hour program offered in modules withdraws before beginning attendance on at least a half-time basis, the school must not make a post-withdrawal disbursement of Stafford or PLUS loan funds to the student. However, a school must include in aid that could have been disbursed for the purpose of the return of Title IV funds calculation an undelivered Stafford or PLUS loan disbursement intended for the payment period or as applicable, period of enrollment in which the student withdrew, if the conditions for making a late disbursement were met as of the date of the student's withdrawal. A school that calculates a return of Title IV funds on a period of enrollment basis may be required to include a subsequent undelivered disbursement(s) of Stafford or PLUS loan funds in aid that could have been disbursed for the purpose of the return of Title IV funds calculation. See Subsection 9.5.A.

[10-11 FSA Handbook, Volume 5, Chapter 2, pp. 5-67 to 5-71]

If a student's withdrawal results in the student's failure to begin attendance in the number of credit hours for which a Pell grant was awarded, the school must recalculate the student's eligibility for a Pell grant and campus-based funds based on a revised cost of attendance and enrollment status before the school performs the return of Title IV funds calculation. The school then performs a return of Title IV funds calculation using the student's revised Pell grant and campus-based award.

[Federal Register dated October 29, 2010, p. 66895]

A school that established a withdrawal date for a student may be required to treat the student as if he or she had not withdrawn, and may be required to disburse Title IV aid that was previously returned or canceled if any of the following events occur:

- A student withdraws from a standard term-based program offered in modules, fails to confirm the intent to attend a subsequent module within the same program and payment period, but the student resumes attendance in a subsequent module in the same program and payment period.<sup>1</sup>

<sup>1</sup>. Policy 1248 (Batch 178), approved April 21, 2011



- A student withdraws from a non-term-based or nonstandard term-based program, fails to confirm the intent to attend a subsequent [module](#) in the same program and [payment period](#) or, as applicable, [period of enrollment](#), but the student resumes attendance in a subsequent module in the same program and period that begins no later than 45 days after the end of the module that the student last attended.
- A student enrolled in a non-term-based or nonstandard term-based program offered in modules is not scheduled to attend a subsequent module in the same program and [payment period](#) or, as applicable, [period of enrollment](#) that begins no later than 45 days after the end of the module that the student last attended, and the student resumes attendance in a module in the same program and period that begins within that 45-day timeframe.

In the instances noted above, the school must apply the following rules to determine a student's eligibility for Title IV aid that the school may have previously returned or canceled due to the student's withdrawal:

- For a student who resumes attendance in the same [standard term-based program](#) or a [nonstandard term-based program](#) offered in modules, the school must determine the student's eligibility for Title IV aid in accordance with the rules for a student who withdraws from and resumes attendance in the same term-based credit-hour program offered in modules before the end of the [payment period](#) or, as applicable, [period of enrollment](#). See [Subsection 8.7.G](#) for further information.
- For a student who resumes attendance in the same [non-term-based credit-hour program](#) offered in modules, the school must determine the student's eligibility for Title IV aid in accordance with the rules for a student who withdraws from and resumes attendance in the same non-term-based credit-hour program within 180 days. See [Subsection 6.3.F](#) for more information.

[§668.22(a)(2)(iii); *Federal Register* dated October 29, 2010, p. 66894]

See [Subsection 9.5.A](#) for additional information about the values used to calculate the percentage of the [payment period](#) completed when a student withdraws from a [standard term-based program](#) using [credit-hour program](#) offered in modules.

[DCL GEN 00-24; 09-10 FSA Handbook, Volume 5, Chapter 2, pp. 5-78 to 5-80]<sup>1</sup>

## Documenting and Reporting Withdrawal Dates

The school must maintain documentation of the [withdrawal date](#) as of the date the school determines the student withdrew.

[§668.22(c)(4)]

The school must report the withdrawal date to the lender. This date determines the beginning of the borrower's [grace period](#) or [repayment period](#). A withdrawal date must consist of month, day, and year.

[§682.605(b) and (c)]

## Date of Determination of a Student's Withdrawal Date

The date of determination (i.e., the date on which the school makes the determination that the student has withdrawn) is a critical component in the return of Title IV funds calculation. This date is determined as follows:

- For a student who provides official notification of his or her withdrawal, the date of determination is the later of:
  - The student's [withdrawal date](#), as determined by a school that is not required to take attendance.
  - The date the student notified the school that he or she withdrew.  
[§668.22(l)(3)(i)]
- For a student who does not provide notification of his or her withdrawal to the school, the date of determination is the date on which the school becomes aware that the student ceased attendance.  
[§668.22(l)(3)(ii)]
- For a student who does not return from an approved [leave of absence](#), the date of determination is the earlier of:
  - The date the leave of absence ends.
  - The date the student notifies the school that he or she will not be returning.  
[§668.22(l)(3)(iii)]
- For a student who rescinds his or her official notification of withdrawal and subsequently does not complete the [payment period](#) or [period of enrollment](#), the date of determination is the date the school becomes aware that the student did not or will not complete the payment period or period of enrollment.  
[§668.22(l)(3)(iv)]

<sup>1</sup> Policy 1248 (Batch 178), approved April 21, 2011



- For a student who takes an unapproved [leave of absence](#), the date of determination is the date that the student begins the leave of absence.  
[§668.22(l)(3)(v)]

#### *Time Frames Applicable to the Date of Determination*

For a student who does not provide official notification of his or her withdrawal, the school must determine the student's [withdrawal date](#) within 30 days from the earliest of:

- The end of the payment period or period of enrollment for which the student was charged.
- The end of the [academic year](#) during which the student withdrew.
- The end of the educational program from which the student withdrew.

*Note: Special rules apply to the maximum time frame for a school's determination that a student withdrew from a non-term-based or nonstandard term-based program offered in modules. See the subheading [Withdrawal from a Credit-Hour Program Offered in Modules](#) in this subsection for more information.*<sup>1</sup>

A school must return [Title IV](#) program funds no later than 45 days after the date of determination. If the student is eligible for a [post-withdrawal disbursement](#), it must be offered to the student or, in the case of a [parent PLUS loan](#), the [parent](#), within 30 days of the date of determination.

#### *Treatment of a Title IV Credit Balance When a Student Withdraws*

If a student withdraws and has a Title IV credit balance on his or her account, the school must not deliver any portion of the credit balance to the student or return any portion of the credit balance to the Title IV student aid programs before it completes a [return of Title IV funds](#) calculation (see [Subsection 8.8.D](#)).

#### *For Schools Required to Record Attendance*

A school that is required to record attendance must have procedures in place to determine when a student withdraws. If a student notifies the school of his or her intent to withdraw prior to the date that the school would normally determine that the student withdrew, the withdrawal date is the date that the student notified the school of his or her

intent to withdraw. In addition, if the school has a policy that indicates when absences will be treated as withdrawals, the date of determination is the date specified in school policy as long as that date is no later than 14 days after the student's withdrawal date.

Except in unusual cases, if a student is absent without explanation, a school must determine whether the student withdrew no later than 14 days after the student's last date of academic attendance as determined from the school's attendance records. The school does not have to make a withdrawal determination if, during that 14-day period, the student verifies that he or she plans to return to school.  
[DCL GEN-04-12; 09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-43]

## 9.5 Return of Title IV Funds

For each Title IV aid recipient who withdraws, the school must calculate the amount of Title IV assistance the student has earned. This amount is based upon the length of time the student was [enrolled](#). The school must return any portion of unearned Title IV funds for which the school is responsible. The school must also advise the student of the amount of unearned Title IV grant aid that he or she must return, if applicable. The student (or [parent](#), in the case of a [parent PLUS loan](#)) must repay any unearned funds that the school did not return according to the normal terms of the loan. To assist schools, the Department has provided Return of Title IV Funds worksheets.

Upon request, the school must provide to enrolled and prospective students:

- A copy of any [refund](#) policy with which the school is required to comply that addresses the return of unearned tuition and fees or other refundable costs paid by the student.
- The requirements and procedures a student should follow to officially withdraw from the school.
- A summary of the federal requirements for the return of Title IV funds, as detailed in [§668.22](#).

[§668.43(a)(2) through (4)]

In the event of a school's closing, [termination](#), suspension of operations, or change in ownership, the school or the school's new owners must continue to comply with the requirements for the [return of Title IV funds](#) for any Title IV recipient who withdraws.

[§668.26(b)(7)]

<sup>1</sup> Policy 1248 (Batch 178), approved April 21, 2011

## 9.5.A Return Amounts for Title IV Grant and Loan Programs

If a student has completed more than 60% of the [payment period](#), he or she is considered to have earned 100% of the [Title IV](#) grant and loan aid received for the payment period. In this case, no funds need to be returned to the Title IV aid programs.  
[§668.22(e)(2)(ii)]

However, if a student withdraws before completing more than 60% of the payment period or [period of enrollment](#), the amount of any Title IV loan and grant aid the student received for the payment period (or period of enrollment) must be recalculated to reflect the portion of the payment period that he or she completed prior to withdrawal. The unearned Title IV loan and grant aid for the percentage of the payment period not completed must be returned to the applicable Title IV aid programs.  
[§668.22(e)(2)(i)]

If a student does not begin attendance at the school and the school has credited the student's account or delivered any Title IV funds directly to the student, the school must return all of those funds to their respective program(s). Those funds must be returned as soon as possible, but no later than 30 days after the date the school determined that the student did not begin attendance. The funds that the school must return are not a student Title IV liability and will not affect the student's Title IV eligibility. However, school charges not paid by financial aid are a student liability owed to the school and subject to its own collection process.

If the school provides a bookstore voucher for a student to obtain or purchase necessary books and supplies, those expenses for the required course materials are considered school charges because the student does not have a real and reasonable opportunity to purchase the materials from any other source. The school must include those charges as school charges in determining the portion of unearned Title IV aid that the school is responsible for returning. (See the [09-10 FSA Handbook, Volume 5, pp.10-12](#) for more information on when a student fails to begin attendance and [Volume 5, Chapter 9, School Reporting Responsibilities and the Return of Title IV Aid.](#))  
[§668.164(i)]<sup>1</sup>

### Determining the Percentage of Payment Period/Period of Enrollment Completed

#### *Standard Term-Based Credit-Hour Programs*

Calculations for the [return of Title IV funds](#) must be based upon the payment period.  
[§668.22(e)(5)(i)]

#### *~~Standard Term-Based Credit-Hour Programs Offered in Modules~~*

Special principles apply when determining the appropriate values used in the calculation of the percentage of the payment period or, as applicable, period of enrollment, completed in a standard term-based credit-hour program offered in modules (see the glossary definition of "module") ~~has the following characteristics:~~

- ~~• Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. (The modules may overlap.)~~
- ~~• Two or more modules make up a standard term at the institution (e.g., a 12-week term is offered in three 4-week modules).~~
- ~~• A student may begin his or her program of study at the beginning of any module in the term.~~
- ~~• A student may skip one or more modules in the term.~~
- ~~• A student must enroll up front in all modules he or she plans to attend within the term, although he or she may subsequently add or drop a course.~~

[DCL GEN 00-24; 09-10 FSA Handbook, Volume 5, Chapter 2, pp. 5-78 and 5-79]

If a student withdraws from ~~such a credit-hour program offered in modules without completing at least one course in one module~~, the payment period or, as applicable, period of enrollment, used in the denominator to calculate the percentage of the ~~payment~~ period completed includes the number of calendar days in all of the modules the student was scheduled to attend ~~in the semester, trimester or quarter.~~ (See [Section 9.4](#), under the subheading *Withdrawal from a Credit-Hour Program Offered in Modules*, for more information about days that a student is scheduled to attend.) The payment period or, as applicable, period of enrollment begins on the first day of the first module that the student was scheduled to attend and ends on the last day of classes ~~of in~~ the last module that the student was<sup>2</sup>

<sup>1</sup>. Policy 1246 (Batch 178), approved April 21, 2011

<sup>2</sup>. Policy 1248 (Batch 178), approved April 21, 2011

scheduled to attend. A school must exclude from the total number of calendar days in the payment period or, as applicable, period of enrollment the number of calendar days in which the student was on an approved leave of absence or any scheduled break of at least five consecutive days when the student was not scheduled to attend. For example, if the school's term consists of three modules of 5 weeks or 35 calendar days each, and the student only enrolled in two modules, the denominator in the calculation of the percentage of the payment period completed would be 70 days, not 105 days. The number of calendar days used in the numerator to calculate the percentage of the period completed begins on the first day of the first module that the student actually attended ~~in the term~~, ends on the last day the student was in attendance, and includes only the number of calendar days during which the student was in attendance.

For example, a school combines an intersession of three weeks of instructional time with a standard fall semester to form a single, combined term that the school treats, for the purposes of Title IV aid, as a standard semester for all students enrolled in the program (See Subsection 6.3.A). The school must treat the fall term and the intersession as modules in the single, combined term for all students enrolled in the program. A student enrolls in (i.e., is scheduled to attend) the fall semester and the 3-week intersession. If the student ceases attendance during the single, combined term, the denominator used in the calculation of the percentage of the payment period completed includes the number of calendar days in both the fall term and the intersession, except for scheduled breaks of at least five consecutive days and days in which the student was on an approved leave of absence. [DCL GEN-00-24; 09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-79] [§668.22(f)(1)(i); §668.22(f)(2)(i) and (ii); *Federal Register* dated October 29, 2010, pp. 66896 and 66897]<sup>1</sup>

#### *Non-Term-Based Programs and Nonstandard Term-Based Credit-Hour Programs*

Calculations for the [return of Title IV funds](#) may be based upon the period of enrollment, rather than the payment period. Schools must consistently use either the payment period or the period of enrollment as the basis for all calculations for the return of Title IV funds for the following categories of students:  
[§668.22(e)(5)(ii)(A) and (B)]

- Students who attend an educational program from the beginning of the period of enrollment or payment period.  
[§668.22(e)(5)(ii)(B)(1)]

- Students who reenter the school during a period of enrollment or payment period.  
[§668.22(e)(5)(ii)(B)(2)]
- Students who transfer into the school during a period of enrollment or a payment period.  
[§668.22(e)(5)(ii)(B)(3)]

There are differences in the payment period definition for a nonstandard term-based, credit-hour program that has substantially equal terms and a nonstandard term-based, credit-hour program that does not have substantially equal terms. See [Section 6.3](#) for more information about defining the payment period in these programs.

#### *Credit-Hour Programs*

For term-based or non-term-based programs measured in credit hours, the total number of calendar days the student completes is divided by the total number of calendar days in the payment period or period of enrollment:

$$\frac{\text{Total number of calendar days completed}}{\text{Total number of calendar days in the payment period/period of enrollment}}$$

[§668.22(f)(1)(i)]

For purposes of this calculation, “calendar days” refers to all days within the period, excluding scheduled breaks of 5 or more consecutive days. Scheduled breaks measure the time between the last day of scheduled classes and the next day that classes are held, and include weekends and any periods during which the student is on an approved [leave of absence](#).

[§668.22(f)(2)(i) and (ii)]

If a student withdraws after a scheduled break, the following are examples of periods that must be excluded from the calculations:

- If a break begins on a Wednesday, no classes are held the following weekend, and classes resume on Monday, the weekend days are included in the break. By including the weekend, the break is 5 days long, and 5 days must be excluded from both the numerator and the denominator of the calculation.
- If a break begins after classes end on Friday and classes resume on Monday following a one-week break, both weekends are included in the break. This break is 9 days long, and 9 days must be excluded from both the numerator and the denominator of the calculation.

<sup>1</sup> Policy 1248 (Batch 178), approved April 21, 2011

used for alternate selections, a list of the requested changes to the review schedule (which lenders are to be substituted for others), and justification for the substitutions.

In addition to the federal criteria used in selecting lenders for review, a guarantor may consider other factors, including:

- Loan volume trends (such as a substantial increase or decrease over the past year).
- Significant increases in cumulative or cohort default rates.
- Evidence of regulatory violations, such as:
  - Incorrect [Lender's Interest and Special Allowance Request and Report \(LaRS report\)](#).
  - Improper [due diligence](#).
  - Late conversions of loans to repayment.
  - Improper [claim](#) filing procedures.
- Evidence of potential fraud or abuse in its FFELP participation.
- Complaints from schools, students, or borrowers.

## 17.3 The Program Review Process

A [program review](#) begins when the [school](#), [lender](#), or [servicer](#) is selected for review according to federal or [guarantor](#) criteria. The review ends when the guarantor accepts a satisfactory response to the review findings from the school, lender, or servicer.

A program review consists of four distinct phases:

- The preliminary review.
- The on-site review.
- The issuance of a program review report.
- The review close-out.

These phases are described in the following four subsections.

## 17.3.A The Preliminary Review

During the preliminary review, a guarantor establishes contact with the school, lender, or servicer to be reviewed. The [entity](#) is advised that it has been selected for a program review and is notified of the date(s) of the on-site review. The notification letter requests that the party being reviewed provide specific administrative and financial information related to its eligibility and participation in the [FFELP](#). This information normally includes, but is not limited to:

### *For Schools*

- School catalog
- [Documentation](#) from prior program reviews
- Independent audit results
- Student Financial Aid audit results
- Audited financial statements
- [Program Participation Agreement \(PPA\)](#)
- Accreditation reports/[certification](#)
- [State, federal, or tribal licensing and/or authorization documentation, as applicable](#)<sup>1</sup>
- [Default](#) management plan, if applicable
- [National Student Loan Data System \(NSLDS\)](#) rosters, reporting, and procedures
- Individual [borrower](#) files

### *For Lenders*

- FFELP lending policies
- Documentation from prior program reviews
- Independent audit results
- Audited financial statements
- [Lender's Interest and Special Allowance Request and Report \(LaRS reports\)](#)
- Documentation of [loan transfers](#)
- NSLDS Lender Manifest, error reports, unreported loan reports, and procedures
- Individual borrower files

<sup>1</sup>. Policy 1229 (Batch 174), approved April 21, 2011

**Branch Campus:** A permanent location of a school that is geographically apart and independent of the main campus; that offers courses leading to a degree, certificate, or other recognized educational credential; that has its own faculty and administration or supervision; and that has its own budgetary and hiring authority. A branch campus is one type of “additional location” at which schools may offer instruction to students. A school must establish eligibility for each of its locations. See [Subsections 4.1.A and 4.1.C](#).

## C

**Campus-Based Programs:** The Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant programs. These programs and their related funds are administered directly by a school’s financial aid office. In return, the school is allowed to retain a percentage of each program’s funds for its administrative costs. The budgets for these programs are limited by the annual federal appropriation awarded to each school; matching funds from the school; and, for the Perkins program, the school’s revolving loan fund. Each participating school is allowed to determine its own selection criteria and award levels for these programs within federal guidelines. A student’s financial aid package may contain aid from one or more of these programs depending on whether the school participates in any of these programs, the amount of funds available for a program in which the school participates, and the school’s packaging policies.<sup>1</sup>

**Cancellation (of a Guarantee):** The revocation of a loan guarantee, which occurs if any of the following conditions exist:

- No loan proceeds were disbursed or delivered to the borrower.
- The lender check(s) was never cashed.
- None of the loan proceeds were negotiated within 120 days of the date on which they were disbursed.
- EFT and master check loan proceeds in the school’s account are not delivered to the borrower within 120 days after being transferred to the account.
- The loan is repaid in full within 120 days of final disbursement.

The guarantee is not lost on the remainder of the loan if one disbursement is canceled.

**Capitalization:** An increase in the principal balance of a Stafford, SLS, PLUS, or Federal Consolidation loan that occurs when a lender adds the interest accrued on the loan to the outstanding principal balance.

**Capitalized Interest:** Accrued interest added to the borrower’s outstanding principal. Subsequent interest accrues on the new total principal balance, which includes any capitalized interest.

**Certification:** The act of attesting that something is true or meets a certain standard. For example, the school certifies the borrower’s eligibility for a loan and, if applicable, interest benefits. The borrower completes an application, promissory note, or deferment form, thereby certifying that certain eligibility criteria have been met.

**CFR:** See [Code of Federal Regulations \(CFR\)](#)

**Change of Control:** An occurrence that signifies that a different person, partnership, or corporation has obtained authority to control the actions of a school, or that the school has changed from a for-profit entity to a nonprofit entity, or vice versa. For example, a change of control can occur when stock is transferred to the parent corporation; when schools merge or divide; when a company is retained to manage a school; or when a school transfers assets or liabilities to the parent corporation.

[§600.31; 09-10 FSA Handbook, Volume 2, Chapter 5, pp. 2-52 to 2-55]

**Check:** A draft (drawn on a financial institution) that is payable on demand and that requires the personal endorsement or other written approval of the borrower to be cashed.

**Citizen/Eligible Noncitizen:** An eligibility requirement that must be met by Federal Stafford, PLUS, and SLS loan borrowers and recipients. See [Subsection 5.2.A](#).

**Claim:** The process by which the lender (or lender’s servicer) requests reimbursement from the guarantor for its losses on a Federal Stafford, SLS, PLUS, or Consolidation loan due to the borrower’s default or eligibility for loan discharge or forgiveness.

**Clock Hour:** A time period consisting of one of the following:

- 50–60 minutes of class, lecture, or recitation in a 60-minute period.

<sup>1</sup> Policy 1244 (Batch 177), approved April 21, 2011



**Master Check:** A single check issued from a lender or disbursing agent to a school that includes loan disbursements for two or more borrowers; a nonelectronic process for transferring funds that mirrors electronic funds transfer (EFT).

**Master Promissory Note (MPN):** See [Federal Stafford Loan Master Promissory Note \(Stafford MPN\)](#) and [Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\)](#)

**Module:** A course or group of courses ~~offered for a period of time that is different (usually shorter) than does not span the program's quarter, trimester, semester, other academic term, or entire length of the payment period or period of enrollment in a program including, for example, an intersession that the school combines with a standard term, or mini-sessions that the school combines to form a summer term.~~

[[The Blue Book, October 2005, Appendix A, p. A-54 §668.22\(l\)\(6\); Federal Register dated October 29, 2010, pp. 66897 and 66935](#)]<sup>1</sup>

**MPN:** See [Master Promissory Note \(MPN\)](#)

**Multiple Disbursements:** Disbursement at predesignated times of a Federal Stafford or PLUS loan—usually in two or more installments of approximately equal increments. See [Subsection 7.7.B](#).

## N

**National and Community Service Trust Act:** The federal legislation that created a national and community service program, including AmeriCorps. The program is administered by the Corporation for National Service.

**National Council of Higher Education Loan Programs (NCHELP):** A nationwide network of guarantors, secondary markets, lenders, loan servicers, collectors, and other organizations involved in the administration of the Federal Family Education Loan Program. NCHELP represents its members on public policy and regulatory issues with the legislative and executive branches of the federal government.

**National Credit Bureau:** A credit reporting agency with a service area encompassing more than a single region of the country.

**National of the United States:** A citizen of the United States or, as defined in the Immigration and Nationality Act, a noncitizen who owes permanent allegiance to the United States.

**National Science and Mathematics Access to Retain Talent Grant (National SMART Grant):** A federal need- and merit-based grant that is intended to encourage a student to major in one of the physical, life, or computer sciences; engineering; technology; mathematics; or a critical foreign language. For more information about this program, see the FSA Handbook.

**National Student Loan Data System (NSLDS):**

A database comprised of information from guarantors, schools, lenders, and the Department of Education which contains information on Title IV aid received by students.

**Nationwide Consumer Reporting Agency:** An agency that regularly engages in the practice of assembling or evaluating, and maintaining, for purposes of furnishing consumer reports to third parties bearing on a consumer's creditworthiness, credit standing, or credit capacity, each of the following regarding consumers residing nationwide: public record information, and credit account information from persons who furnish that information regularly and in the ordinary course of business.

[[Section 603\(p\) of the Fair Credit Reporting Act \[15 U.S.C. 1681a\(p\)\]](#)]

**Need Analysis:** A standardized assessment of the ability of a student or of a student's family to contribute toward educational expenses.

**New Borrower:** A borrower who has no outstanding balance on a FFELP loan at the time he or she signs a promissory note for a FFELP loan.

**Nonsubsidized Loan:** A loan that is not eligible for federal interest benefits. The borrower is responsible for paying the interest on the outstanding principal balance of a nonsubsidized loan throughout the life of the loan. During in-school, grace, and deferment periods, these interest payments are normally made on a monthly or quarterly basis, or are capitalized. *Nonsubsidized loans were guaranteed by some guarantors before the introduction of unsubsidized Stafford loans.*

**Non-Term-Based Institution:** A school that measures its academic year in credit or clock hours rather than academic terms (e.g., semesters, trimesters, or quarters).

<sup>1</sup> Policy 1238 (Batch 176), approved April 21, 2011

**S**

**SAP:** See [Satisfactory Academic Progress \(SAP\)](#)

**SAR:** See [Student Aid Report \(SAR\)](#)

**Satisfactory Academic Progress (SAP):** ~~The level of academic progress required of a student by the Higher Education Act in order to receive Title IV aid, including Federal Stafford, PLUS, or SLS loans. Each school must establish a standard for evaluating a student's efforts to achieve an educational goal within a given period of time. In making this evaluation, the school must establish the normal time frame for completion of the course of study in which the student is enrolled, and a method, such as grades or work projects completed, to measure the quality of the student's performance. Students enrolled in an undergraduate program who are enrolled beyond the school's maximum time frame for program completion are not eligible for additional Title IV assistance. A school's maximum time frame for program completion cannot exceed 150% of the published program length. The qualitative (grade point average) and quantitative (time limit) measures of a student's progress toward completing a program of study. To maintain eligibility for Title IV aid, the student must show adequate progress. A school must establish policies regarding satisfactory academic progress, and must check the progress of Title IV aid recipients at least once each academic year, or at the end of each payment period if the educational program is either one academic year in length or shorter than an academic year.~~<sup>1</sup>

**Satisfactory Repayment Arrangement:** A specified number of consecutive, on-time, voluntary, reasonable and affordable full monthly payments made by a borrower to the holder of any loan or loans in default. Satisfactory repayment arrangements may be established by a borrower either to regain eligibility for Title IV funds or to consolidate a defaulted loan. The loan holder's determination of a "reasonable and affordable" payment amount is based on the borrower's total financial circumstances. "Voluntary" payments are payments made directly by the borrower, and do not include payments obtained by state offsets or federal Treasury offset, garnishment, or income or asset execution. An "on-time" payment is a payment received by the guarantor within 15 days before or after the scheduled due date. See [Subsection 5.2.D](#) for more information on regaining eligibility for Title IV funds. See [Section 15.2](#) for more information on consolidating a defaulted loan.

**SAY:** See [Scheduled Academic Year \(SAY\)](#)

**Scheduled Academic Year (SAY):** An academic year that corresponds to a traditional academic year calendar, i.e., a fixed period of time, as published in a school's printed materials, that generally begins and ends at the same time each year according to an established schedule. The SAY is the academic period to which the program's definition of Title IV academic year must be applied and must meet the minimum statutory requirements of an academic year for weeks of instructional time. A standard term-based credit-hour program or a credit-hour program with nonstandard terms that are substantially equal *and* at least nine weeks of instructional time in length (SE9W) may use an SAY if the program is offered in a traditional academic year calendar. The summer term may be treated as an add-on at the beginning (header) or end (trailer) of the SAY. For additional information, see [Subsection 6.1.B](#) and the [09-10 FSA Handbook, Volume 3, Chapter 6, pp. 3-105 to 3-108](#).

**School:** An institution of higher education, a proprietary institution of higher education, or a postsecondary vocational school declared eligible by the U.S. Department of Education to participate in one or more Title IV programs. Some guarantors may require schools to complete a separate agency-specific participation agreement. See [Participating School](#).

**School-Affiliated Organization:** Any organization that is directly or indirectly related to a school, and includes, but is not limited to, alumni organizations, foundations, athletic organizations, and social, academic, and professional organizations.

**School Lender:** A school, other than a correspondence school, that has been approved as a lender under the FFELP and has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

**SE9W:** In a nonstandard term-based credit-hour program, the terms are referred to as "SE9W" if they are substantially equal in length and each term is at least nine weeks of instructional time in length. Nonstandard terms are considered substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in the loan period. If a nonstandard term-based credit-hour program has terms that are not substantially equal in length, or if each term is not at least nine weeks of instructional time in length, the terms are *not* SE9W. For example, a nonstandard term-based, credit-hour program has terms that are 8 weeks of instructional time in length. While the nonstandard terms in this program are substantially equal in length (i.e., no term is more than 2 weeks longer than any other term), the terms are not at least 9 weeks of instructional time in length. Therefore, the nonstandard terms in this program are *not* SE9W.

[[09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-105](#)]

<sup>1</sup> Policy 1241 (Batch 177), approved April 21, 2011

**Secondary Market:** An entity that purchases education loans from eligible lenders in order to increase the amount of funds available for education loans. The secondary market obtains funds from investors and uses those funds to purchase existing education loans from lenders. The lenders then use the proceeds of those sales to make new education loans.

**Self-Paced:** A flexible course structure in an educational program without terms that permits a student to complete courses without a defined schedule for completing the courses, or, at the student's discretion, to begin courses either on specific dates set by the school or at any time without a defined schedule for completing the program. [09-10 FSA Handbook, Volume 3, Chapter 1, p. 3-25]

**Servicer (or Third-Party Servicer):** An entity that enters into a contract with a program participant to administer any aspect of its participation in a Title IV program.

**Shortage Area:** See [Teacher Shortage Area](#)

**Skip Tracing:** Diligent efforts to locate a borrower's telephone number or address when such information is unknown. See [Section 12.8](#) for telephone skip tracing requirements and [Section 12.7](#) for address skip tracing requirements. See also [Effective Commercial Skip Tracing](#).

**Social Security Number (SSN):** The 9-digit number assigned to the borrower by the Social Security Administration. The SSN is used as an identifier for tracking the borrower's loan account(s), skip tracing, and reporting to the Department. A borrower must have an SSN in order to apply for a FFELP loan.

**Special Allowance:** A percentage of the daily average unpaid principal balance, paid to a lender by the Department on an eligible Stafford, PLUS, SLS, or Federal Consolidation loan. Special allowance payments act as an incentive for lenders to make education loans by, in effect, making up the difference between the interest rate charged to a FFELP borrower and market interest rates. The special allowance rate is set by statutory formula. See [Section A.2](#).

**Special Occurrence:** An event—such as the lender's receipt of a borrower's valid address and/or valid telephone number—that affects the lender's due diligence requirements but does not change the payment due date of the loan.

**SSN:** See [Social Security Number \(SSN\)](#)

**Stafford MPN:** See [Federal Stafford Loan Master Promissory Note](#)

**Standard Repayment Schedule:** A repayment schedule under which the borrower pays the same amount for each installment payment throughout the entire repayment period or pays an amount that is adjusted to reflect annual changes in the loan's variable interest rate. The standard repayment schedule cannot exceed 10 years, excluding in-school, grace, deferment, and forbearance periods.

**Standard-Standard:** A repayment schedule available to a borrower under the Income-Based Repayment plan. The payment amount is calculated on the basis of both of the following:

- The borrower's outstanding loan balance when the borrower initially entered repayment on the loan.
- A 10-year repayment period.

**State:** A state of the Union, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau).

**State Authorization:** A state charter, statute, constitutional provision, or other action issued by an appropriate state agency or entity that establishes a school by name as a postsecondary educational entity, and the school otherwise meets the requirements established for that authorization in [34 CFR 600.9](#).<sup>1</sup>

**State Lender:** In any state, a single state agency or private not-for-profit agency designated by the state that has been approved as a lender and that has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

**Statement of Educational Purpose:** The borrower's signed statement that any Title IV aid received will be used only for education-related expenses at the school at which the student is enrolled or accepted for enrollment.

**Statutory Interest Rate:** The maximum annual interest rate (under the Higher Education Act) that a lender may charge on a loan. Past and present statutory interest rates for FFELP loans are included in [Sections 7.4](#) and [7.5](#).

<sup>1</sup>. Policy 1229 (Batch 174), approved April 21, 2011