

Contents

INTRODUCTION	I
CHAPTER 1 – INSTITUTIONAL AND PROGRAM ELIGIBILITY	2-1
THE THREE DEFINITIONS OF ELIGIBLE INSTITUTIONS	2-1
INSTITUTIONAL CONTROL	2-1
ELIGIBLE INSTITUTION	2-2
LEGAL AUTHORIZATION BY A STATE	2-3
ACCREDITATION	2-3
Alternatives to accreditation	2-4
Changes in accreditation	2-4
Change in primary institution-wide accreditation	2-4
Accreditation by more than one institution-wide accrediting agency	2-4
Primary accreditor	2-5
Dual accreditation	2-5
ADMISSIONS STANDARDS	2-5
High school diploma	2-5
Recognized equivalent of a high school diploma	2-6
Home schooled	2-6
GED preparatory program required	2-7
“TWO-YEAR” RULE	2-7
ADDITIONAL INSTITUTIONAL ELIGIBILITY FACTORS	2-8
Demonstrations of compliance	2-8
The 90/10 Rule	2-9
The cash basis of accounting	2-9
Exclusions from fraction	2-9
SFA Program funds for institutional charges	2-10
Revenues	2-10
Time period covered	2-11
Failure to satisfy the 90/10 rule	2-11
Financial Statement Disclosure	2-11
Financial Statement Notification	2-11
Correspondence course limitation	2-12
Correspondence student limitation	2-12
Incarcerated student limitation	2-13
Ability-to-benefit limitation	2-13
Bankruptcy	2-14
Crimes involving SFA program funds	2-14
PROGRAM ELIGIBILITY REQUIREMENTS	2-14
Determination of program eligibility	2-14
Types of eligible programs at an institution of higher education	2-15
Eligible programs at a proprietary or postsecondary vocational institution	2-15
Exceptions to eligible program definition	2-17
WEEKS OF INSTRUCTION AND THE 12-HOUR RULE	2-17
Week of instruction/instructional time	2-18
Minimum Weeks and Hours	2-18
Treatment of holidays	2-19
ADDITIONAL ELIGIBILITY REQUIREMENTS	2-19
ESL Programs	2-19
Study abroad programs	2-19

Flight schools	2-20
CLOCK HOUR/CREDIT HOUR CONVERSIONS	2-20
FOREIGN SCHOOLS ELIGIBLE FOR FFEL PROGRAMS	2-22
Foreign medical schools	2-22
REPORTING INFORMATION ON FOREIGN SOURCES	2-23
Who must report?	2-24
Contents of disclosure report	2-24
Alternative reporting	2-25
Where to report foreign gift information	2-25
SOLOMON-POMBO AMENDMENT	2-25

CHAPTER 2 – GENERAL PARTICIPATION REQUIREMENTS 2-27

THE PROGRAM PARTICIPATION AGREEMENT	2-27
Purpose and scope of the PPA	2-27
PPA Requirements	2-28
Voter Registration Required	2-31
GED preparatory program required	2-32
Civil rights and privacy requirements	2-32
DEFINITION OF A PAYMENT PERIOD	2-32
Payment period for term-based credit hour programs	2-33
Payment period for nonterm credit hour programs and clock hour programs	2-33
Payment period for programs of an academic year or less	2-34
Payment period for programs of multiples of an academic year	2-35
Programs longer than an academic year with a remainder	2-36
Definition of coursework	2-37
More than two payment periods per academic year	2-37
ACADEMIC YEAR REQUIREMENTS	2-38
Thirty-week minimum of instructional time	2-38
Determining academic year length	2-38
Definition of a week of instructional time	2-38
12-hour rule and definition of an academic year	2-38
Reductions in academic year length	2-39
CONTRACTS WITH THIRD-PARTY SERVICERS	2-40
Excluded activities	2-40
Employees of a school	2-41
Requirements for contracting with a third-party servicer	2-41
Institutional liability	2-41
Notifying the Department of contracts	2-41
ANTI-DRUG ABUSE REQUIREMENTS	2-42
Requirements for a drug-free workplace	2-43
Submission of certification to the department	2-43
Distribution to students and staff	2-43
Development and review of a drug prevention program	2-43
Consequences of noncompliance	2-44
ANTI-LOBBYING CERTIFICATION AND DISCLOSURE	2-45

CHAPTER 3 – ADMINISTRATIVE CAPABILITY	2-47
REQUIRED ELECTRONIC PROCESSES	2-47
Access to the “Information for Financial Aid Professionals” Web site	2-48
Submission of the Application to Participate (Recertification) through the Internet:	2-49
Submission of the FISAP through TIV WAN	2-50
January 1, 1999 requirements	2-50
Windows 95, Windows NT or higher	2-50
Submission of Federal Pell Grant payment data	2-50
Submission of SSCR data and Federal Perkins Loan data to the NSLDS	2-50
Submission of Federal Perkins Loan data to the NSLDS	2-50
COORDINATING OFFICIAL	2-50
CONSISTENCY OF INFORMATION	2-51
OIG REFERRALS	2-51
COUNSELING	2-51
ADEQUATE STAFFING	2-52
SYSTEM OF CHECKS AND BALANCES	2-52
SATISFACTORY ACADEMIC PROGRESS	2-52
Academic Amnesty/Renewal	2-54
FINANCIAL AID HISTORY	2-54
DEFAULT RATES	2-55
Default management plan	2-55
WITHDRAWAL RATES	2-56
DEBARMENT AND SUSPENSION CERTIFICATION	2-56
Debarment of school or its principals	2-56
Checking prospective employees or contractors	2-57
Lower-tier covered transactions	2-57
CHAPTER 4 – FINANCIAL RESPONSIBILITY	2-59
GENERAL STANDARDS	2-60
Proprietary or private nonprofit institution	2-60
Audit opinions and past performance	2-60
Composite score	2-60
Refund Reserve Standards	2-63
Current in debt payments	2-64
Public schools	2-64
ALTERNATIVES TO THE GENERAL STANDARDS	2-65
Letter of credit alternative for new school	2-66
Letter of credit alternative for participating school	2-66
Zone alternative	2-66
Provisional certification for school not meeting standards	2-67
Provisional certification for school where persons or entities owe liabilities	2-68
PAST PERFORMANCE AND AFFILIATION STANDARDS	2-69
Past performance of a school	2-69
Past performance of persons affiliated with a school	2-69
FINANCIAL STATEMENTS	2-70
FOREIGN SCHOOLS	2-70

CHAPTER 5 – CASH MANAGEMENT	2-71
PURPOSE OF CASH MANAGEMENT REGULATIONS	2-71
REQUESTING FUNDS	2-72
The advance payment method	2-72
The reimbursement method	2-72
Limitations on use of FFEL funds	2-73
The cash monitoring payment method	2-74
The just-in-time payment method	2-74
GAPS	2-76
MAINTAINING AND ACCOUNTING FOR FUNDS	2-76
Bank account notification requirements	2-77
Interest-bearing or investment account	2-77
Exceptions	2-78
Federal Perkins Loan Program participants	2-78
Accounting and financial requirements	2-78
DISBURSING FUNDS	2-78
Definition of disbursed	2-79
Exceptions	2-79
Disbursement by crediting a student's account	2-80
Allowable charges	2-80
Disbursing SFA funds directly	2-81
DISBURSEMENT BY PAYMENT PERIOD	2-81
Excused absences	2-82
EARLY DISBURSEMENTS	2-82
LATE DISBURSEMENTS	2-83
SFA CREDIT BALANCES	2-84
Holding credit balances	2-86
PRIOR-YEAR CHARGES	2-86
REQUIRED SCHOOL NOTIFICATIONS	2-87
Opportunity for loan cancellation	2-87
REQUIRED STUDENT AUTHORIZATIONS	2-89
EXCESS CASH	2-91
Allowable excess cash tolerances	2-91

CHAPTER 6 – RETURN OF TITLE IV FUNDS **2-93**

WITHDRAWALS*	2-93
Worksheets	2-94
General requirements	2-94
Verification	2-95
Consumer information	2-95
Foreign schools	2-96
Definition of a Title IV recipient	2-96
Rounding	2-97
Date of the institution's determination that the student withdrew	2-97
Use of payment period or period of enrollment	2-98
Payment period	2-99
Period of enrollment	2-99
Applicability	2-99
Step 1: Student's Title IV Aid Information	2-100
Funds to include in the calculation	2-100
FSEOG program funds	2-100
LEAP program funds	2-101
Title IV Aid Disbursed	2-101

Title IV Aid that Could Have Been Disbursed	2-101
Step 2: Percentage of Title IV Aid Earned	2-104
Withdrawal Date	2-104
Approved leaves of absence	2-115
Unapproved leaves of absence	2-119
Percentage of payment period or period of enrollment completed	2-119
Credit-hour programs	2-119
Scheduled breaks	2-119
Step 3: Amount of Title IV aid earned by the student	2-122
Effects of a post-withdrawal reduction in charges	2-123
Step 4: Total Title IV Aid to be disbursed or returned	2-123
Post-withdrawal disbursements	2-123
Crediting a student's account	2-124
Notice to a student offering a post-withdrawal disbursement	2-126
Disburse grant before loan	2-127
Title IV aid to be returned	2-129
Step 5: Amount of unearned Title IV aid due from the school	2-129
Aid disbursed to the student before institutional charges are paid	2-130
Institutional charges	2-130
Use of institutional charges in determining the school's responsibility for return	2-130
Effects of Waivers on Institutional Charges	2-132
January 7, 1999 Policy Bulletin	2-132
Institutional versus noninstitutional charges	2-132
Principle 1: Most costs are institutional	2-133
Principle 2: An institutional charge does not need to be assessed to all students	2-133
Principle 3: Institutional charges may or may not be charged to a student's account	2-133
General guidelines for defining institutional charges	2-134
Demonstrating a real and reasonable opportunity	2-134
Applying the rules: Is this an institutional charge?	2-136
Summary	2-137
Step 6: Return of funds by the school	2-138
Order of return of Title IV funds	2-138
Timeframe for the return of Title IV funds	2-139
Step 7: Initial amount of unearned Title IV aid due from the student	2-139
Step 8: Return of funds by the student	2-139
GRANT OVERPAYMENTS	2-140
Student overpayments less than \$25	2-141
Accepting payments from students	2-143
Notifying the Department	2-143
Reporting and referring overpayments	2-144
Accepting payments on referred overpayments	2-146
 CASE STUDIES	 2-147
 CHAPTER 7 – CONSUMER INFORMATION	 2-203
BASIC CONSUMER INFORMATION REQUIREMENTS	2-205
Financial Aid Information	2-205
General Information about the School	2-206
CONSUMER INFORMATION FROM THE DEPARTMENT	2-207
STUDENT RIGHT-TO-KNOW DISCLOSURES	2-208
Determining the Cohort	2-209
Standard-Term Schools	2-209
Nonstandard Term or Non-Term Schools	2-209

Definitions	2-210
Waivers	2-210
Reporting Information on Rates for the General Student Body Cohort	2-211
Step 1: Determining the cohort	2-211
Step 2: Calculating the rates	2-211
Step 3: Disclosing the rates	2-212
Reporting information on rates for student athletes	2-215
Step 1: Determining the cohort	2-215
Step 2: Calculating the rates for completion or graduation for student athletes	2-215
Step 3 - Disclosing the rates for student athletes	2-216
Supplemental Information	2-216
EQUITY IN ATHLETICS	2-217
Disclosure of the Report	2-217
Contents of the Equity in Athletics/EADA Report	2-218
Definitions	2-220
LOAN COUNSELING	2-221
DRUG AND ALCOHOL ABUSE PREVENTION INFORMATION	2-221
Information to be included in drug prevention materials	2-221
Distribution of Materials to All Students and Employees	2-222
MISREPRESENTATION	2-222
Definition of Misrepresentation	2-222
Nature of Educational Program	2-223
Nature of Financial Charges	2-224
Employability of Graduates	2-224
CAMPUS SECURITY	2-224
General Information	2-224
Distribution of the Campus Crime Report	2-226
Definition of campus	2-227
Timely Warning	2-227
Campus Security Authority	2-228
Professional and pastoral counselors excluded from reporting requirements	2-229
FERPA	2-230
Daily Crime Log	2-231
The Annual Security Report	2-231
Policies and Procedures for Reporting Crimes	2-232
Complaints against schools	2-237

CHAPTER 8 – RECORDKEEPING AND DISCLOSURE 2-243

REQUIRED RECORDS	2-243
Program records	2-244
FISCAL RECORDS	2-244
General records	2-245
RECORD RETENTION PERIODS	2-247
RECORD MAINTENANCE	2-248
Acceptable formats	2-248
Safeguarding electronic records	2-249
Special requirements for SARs and ISIRs	2-249
EXAMINATION OF RECORDS	2-250
Location	2-250
Cooperation with agency representatives	2-250
Timely access	2-250
Reasonable access to personnel	2-251
SFA recipient information	2-251

DISCLOSING STUDENT INFORMATION	2-251
FERPA	2-251
Disclosure requests for information	2-254
Sample disclosure statement	2-254
Redisclosure to other authorized parties	2-254

CHAPTER 9 – AGREEMENTS BETWEEN SCHOOLS 2-255

CONSORTIUM AGREEMENT	2-255
Elements of a consortium agreement	2-255
Effective date of the agreement	2-256
CONTRACTUAL AGREEMENT	2-257
STUDY ABROAD OR DOMESTIC EXCHANGE PROGRAMS	2-258

CHAPTER 10 – APPLYING FOR AND MAINTAINING PARTICIPATION IN THE SFA PROGRAMS 2-259

APPLYING TO PARTICIPATE	2-259
Electronic application	2-260
Electronic application process	2-260
PRECERTIFICATION TRAINING REQUIREMENT	2-262
WHEN TO COMPLETE AN APPLICATION	2-263
A school seeking initial certification to participate in the SFA programs	2-263
Reapplication and recertification	2-264
A school seeking to be recertified	2-264
An eligible nonparticipating institution	2-265
A school that voluntarily left the SFA programs	2-266
A school that was terminated from the SFA programs	2-266
A school that undergoes a change in ownership	2-267
Preacquisition review	2-268
Temporary approval for continued participation on provisional certification	2-268
Changes at Public Institutions	2-270
Change in controlling interest	2-271
Owner's death or retirement	2-271
Changes in ownership interest and 25% threshold	2-272
Change in Ownership for Publicly Traded Corporations	2-272
Change in Ownership or Control of a Non-Profit Institution	2-273
Reporting	2-273
Steps to be taken by former owners	2-275
Payments to eligible students	2-275
Steps to be taken by prospective owners	2-276
Accepting liabilities and return of funds policy	2-276
Effect of cohort default requirements	2-276
Audits and closeout procedures	2-277
PPA and ECAR	2-277
Effective date for participation	2-278
Provisional certification	2-278
Revoking provisional certification	2-279
SUBSTANTIVE CHANGES AND HOW TO REPORT THEM	2-279
Changes requiring the Department's written approval	2-280
Changes not requiring the Department's written approval	2-281
ADDING LOCATIONS OR PROGRAMS	2-283

Eligibility of additional locations	2-283
Reporting a New Location	2-284
Applying for Approval of a New Location	2-285
Adding a program — when a school may make eligibility determination	2-285
ED must approve all other added programs	2-286
Waivers	2-286
Changing from a non-main campus to a branch campus	2-286
Disbursement Rules Related to Applications	2-287
Changes in accreditation	2-288
Notification of school closure or bankruptcy	2-289
QUALITY ASSURANCE PROGRAM	2-289
EXPERIMENTAL SITES INITIATIVE	2-291

CHAPTER 11 – PROGRAM INTEGRITY..... 2-293

STATE AND ACCREDITING AGENCY ROLES	2-293
State role	2-293
Accrediting agency role	2-293
THE DEPARTMENT'S ROLE	2-295
Your comments are important	2-295
Audit requirements for schools	2-296
Simultaneous audit submissions	2-296
Types of audit guidelines	2-299
Submission dates for SFA audits	2-300
Compliance audit submission requirements	2-301
Financial statements audit submission requirements	2-302
Consolidated statements	2-302
Required disclosure of 90/10 finding	2-303
Audits for foreign schools	2-303
Audits for third-party servicers	2-303
Having the audit performed	2-304
Submitting audits	2-304
Access to records	2-305
PROGRAM REVIEWS	2-306
Selection of schools for review	2-306
Written report	2-307
GUARANTY AGENCY REVIEWS	2-307
APPEALING AUDIT AND PROGRAM REVIEW DETERMINATIONS	2-308
WHEN A SCHOOL CEASES TO BE AN ELIGIBLE INSTITUTION	2-309
Loss of accreditation	2-309
Exceptions	2-309
REQUIREMENTS WHEN A SCHOOL'S SFA PARTICIPATION ENDS	2-310
VOLUNTARY WITHDRAWAL FROM SFA PARTICIPATION	2-310
INVOLUNTARY WITHDRAWAL FROM SFA PARTICIPATION	2-310
When participation ends	2-311
Additional closeout procedures	2-312
CASE MANAGEMENT	2-312
Possible actions	2-313
CORRECTIVE ACTIONS AND SANCTIONS	2-314
Administrative subpoena authority	2-314
Sanctions	2-314
Actions due to program violations or misrepresentation	2-315
Emergency action	2-315

Fine	2-315
Limitation	2-316
Suspension	2-316
Termination	2-316
Corrective action	2-316
Possibility of reinstatement	2-316
Criminal penalties	2-317

CHAPTER 12 – DISTANCE EDUCATION 2-319

DEAR COLLEAGUE LETTER GEN-98-10 2-320

Definitions	2-320
What is a correspondence course?	2-320
What is a telecommunications course?	2-321
What is an educational program?	2-321
Institutional eligibility	2-321
What is the effect of correspondence courses on institutional eligibility?	2-321
Student eligibility	2-322
Are there any limits on a student's eligibility for SFA program funds for attendance in a correspondence course?	2-322
Cost of Attendance	2-323
What costs can be included in a student's cost of attendance?	2-323
Pell and FSEOG)Program disbursements	2-323
Special disbursement rules that apply to students in correspondence courses?	2-323
Miscellaneous questions and answers	2-324

DISTANCE EDUCATION DEMONSTRATION PROGRAM 2-325

Purpose of the Demonstration Program	2-325
Waivers of SFA program requirements	2-325
Eligible applicants	2-326
Applying to participate	2-326
Selection of participants	2-327
Evaluation of the Demonstration Program	2-327
Oversight	2-328