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Part III

Department of Education

**34 CFR Parts 668, 673, 674, et al.
The Teacher Education Assistance for
College and Higher Education (TEACH)
Grant Program and Other Federal Student
Aid Programs; Proposed Rule**

DEPARTMENT OF EDUCATION

34 CFR Parts 668, 673, 674, 675, 676, 682, 685, 686, and 690

RIN 1840-AC93

[Docket ID ED-2008-OPE-0001]

The Teacher Education Assistance for College and Higher Education (TEACH) Grant Program and Other Federal Student Aid Programs

AGENCY: Office of Postsecondary Education, Department of Education.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Secretary proposes to amend title 34 of the Code of Federal Regulations to establish regulations for the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program. The TEACH Grant program is a non-need-based grant program that provides up to \$4,000 per year to students who are enrolled in an eligible program and who agree to teach in a high-need field, at a low-income elementary or secondary school for at least four years within eight years of completing the program for which the TEACH Grant was awarded. If the grant recipient fails to complete the required teaching service, the TEACH grant is treated as a Federal Direct Unsubsidized Stafford Loan (Federal Direct Unsubsidized Loan). The Secretary also proposes to amend the regulations related to the Student Assistance General Provisions; the General Provisions for the Federal Perkins Loan Program, the Federal Work-Study Program, the Federal Supplemental Educational Opportunity Grant Program; the Federal Perkins Loan Program; the Federal Work-Study Programs; the Federal Supplemental Educational Opportunity Grant Program; the Federal Family Education Loan (FFEL) Program; the William D. Ford Federal Direct Loan Program; and the Federal Pell Grant Program to implement the TEACH Grant Program. These proposed regulations are needed to implement provisions of the Higher Education Act of 1965 (HEA), as amended by the College Cost Reduction and Access Act of 2007 (CCRAA).

DATES: We must receive your comments on or before April 21, 2008.

ADDRESSES: Submit your comments through the Federal eRulemaking Portal or via postal mail, commercial delivery, or hand delivery. We will not accept comments by fax or by e-mail. Please submit your comments only one time, in order to ensure that we do not receive duplicate copies. In addition, please

include the Docket ID at the top of your comments.

- *Federal eRulemaking Portal:* Go to <http://www.regulations.gov> to submit your comments electronically. Information on using Regulations.gov, including instructions for accessing agency documents, submitting comments, and viewing the docket, is available on the site under "How To Use This Site."

- *Postal Mail, Commercial Delivery, or Hand Delivery.* If you mail or deliver your comments about these proposed regulations, address them to Michelle Belton, U.S. Department of Education, 1990 K Street, NW., room 8031, Washington, DC 20006-8502.

Privacy Note: The Department's policy for comments received from members of the public (including those comments submitted by mail, commercial delivery, or hand delivery) is to make these submissions available for public viewing on the Federal eRulemaking Portal at <http://www.regulations.gov>. All submissions will be posted to the Federal eRulemaking Portal without change, including personal identifiers and contact information.

FOR FURTHER INFORMATION CONTACT: Michelle Belton, U.S. Department of Education, 1990 K Street, NW., room 8031, Washington, DC 20006-8502. Telephone: (202) 502-7821 or via the Internet at: Michelle.Belton@ed.gov.

If you use a telecommunications device for the deaf, call the Federal Relay Service (FRS), toll free, at 1-800-877-8339.

Individuals with disabilities can obtain this document in an alternative format (e.g., Braille, large print, audiotape, or computer diskette) on request to the contact person listed under **FOR FURTHER INFORMATION CONTACT**.

SUPPLEMENTARY INFORMATION:

Invitation To Comment

As outlined in the section of this notice entitled "*Negotiated Rulemaking*," significant public participation, through three public hearings and three negotiated rulemaking sessions, has occurred in developing this notice of proposed rulemaking (NPRM). Therefore, in accordance with the requirements of the Administrative Procedure Act, the Department invites you to submit comments regarding these proposed regulations on or before April 21, 2008. To ensure that your comments have maximum effect in developing the final regulations, we urge you to identify clearly the specific section or sections of the proposed regulations that each of your comments addresses and to arrange

your comments in the same order as the proposed regulations.

We invite you to assist us in complying with the specific requirements of Executive Order 12866, including its overall requirements to assess both the costs and the benefits of the intended regulation and feasible alternatives, and to make a reasoned determination that the benefits of this intended regulation justify its costs. Please let us know of any further opportunities we should take to reduce potential costs or increase potential benefits while preserving the effective and efficient administration of the programs.

During and after the comment period, you may inspect all public comments about these proposed regulations by accessing Regulations.gov. You may also inspect the comments, in person, in room 8031, 1990 K Street, NW., Washington, DC, between the hours of 8:30 a.m. and 4 p.m., Eastern time, Monday through Friday of each week except Federal holidays.

Assistance to Individuals With Disabilities in Reviewing the Rulemaking Record

On request, we will supply an appropriate aid, such as a reader or print magnifier, to an individual with a disability who needs assistance to review the comments or other documents in the public rulemaking record for these proposed regulations. If you want to schedule an appointment for this type of aid, please contact the person listed under **FOR FURTHER INFORMATION CONTACT**.

Negotiated Rulemaking

Section 492 of the HEA requires the Secretary, before publishing any proposed regulations for programs authorized by Title IV of the HEA, to obtain public involvement in the development of the proposed regulations. After obtaining advice and recommendations from the public, including individuals and representatives of groups involved in the Federal student financial assistance programs, the Secretary must subject the proposed regulations to a negotiated rulemaking process. All proposed regulations that the Department publishes on which the negotiators reached consensus must conform to final agreements resulting from that process unless the Secretary reopens the process or provides a written explanation to the participants stating why the Secretary has decided to depart from the agreements. Further information on the negotiated rulemaking process can be found at:

<http://www.ed.gov/policy/highered/reg/hearulemaking/2008/index2008.html>.

On October 22, 2007, the Department published a notice in the **Federal Register** (72 FR 59494) announcing our intent to establish up to two negotiated rulemaking committees to prepare proposed regulations. One committee would focus on issues related to the new TEACH Grant program (TEACH Grant Committee). A second committee would address Federal student loans. The notice requested nominations of individuals for membership on the committees who could represent the interests of key stakeholder constituencies on each committee. The TEACH Grant Committee met to develop proposed regulations twice during the month of January, 2008 and once in early February, 2008. This NPRM proposes regulations relating to the administration of the TEACH Grant program.

The Department developed a list of proposed regulatory provisions for the TEACH Grant program from advice and recommendations submitted by individuals and organizations in testimony submitted to the Department in a series of three public hearings held on:

- November 2, 2007, at the Sheraton New Orleans, New Orleans, Louisiana.
- November 16, 2007, at the U.S. Department of Education in Washington, DC.
- November 29, 2007, at the Manchester Grand Hyatt San Diego, San Diego, California.

In addition, the Department accepted written comments on possible regulatory provisions submitted directly to the Department by interested parties and organizations. A summary of all comments received orally and in writing is posted as background material in the docket. Transcripts of the regional meetings can be accessed at <http://www.ed.gov/policy/highered/reg/hearulemaking/2008/index2008.html>.

Staff within the Department also identified issues for discussion and negotiation.

At its first meeting, the TEACH Grant Committee reached agreement on its protocols and proposed agenda. These protocols provided that the non-Federal negotiators would participate in the negotiated rulemaking process based on their experience and expertise.

The TEACH Grant Committee included the following members:

- Dr. Nell Ingram, Dallas Independent School District and Judy Corcillo (alternate), National Association for Alternative Certification.
- Donna Harris-Aikens, National Education Association and James Rice

(alternate), Quinsigamond Community College.

- Dr. William H. Graves, III, Darden College of Education, Old Dominion University and Dr. J. Roberts Hendricks (alternate), College of Education, University of Arizona.
- Dr. Sandra Robinson, College of Education, University of Central Florida and Dr. Jane West (alternate), American Association of Colleges for Teacher Education.
- Joseph Pettibon, Texas A&M University and Beth Stack (alternate), University of Pittsburgh.
- Dr. Herbert Brunkhorst, California State University San Bernardino and Janis Lariviere (alternate), Teacher Development Center for Science Education, University of Kansas.
- Janet Dodson, Doane College and Bernard A. Pekala, Jr. (alternate), Boston College.
- Ellis Salim, Baker College and Maureen Budetti (alternate), National Association of Independent Colleges and Universities.
- Scott Fleming, Georgetown University and Thomas O'Neill (alternate), Association of Independent Colleges and Universities of Nebraska.
- Mary Dorrell, Career Education Corporation and Tammy Halligan (alternate), Career College Association.
- Patrick Moore, Delaware Technical and Community College.
- Jim Hermes, American Association of Community Colleges and Julia Brown (alternate), Northern Virginia Community College.
- Carmen Berkley, United States Student Association and Cedric Lawson (alternate), United Council of University of Wisconsin Students.
- Terry Hartle, American Council on Education and Cyndy Littlefield (alternate), Association of Jesuit Colleges and Universities.
- Gail McLarnon, U.S. Department of Education.

During its meetings, the TEACH Grant Committee reviewed and discussed drafts of proposed regulations. At the final meeting in February 2008, the TEACH Grant Committee reached consensus on all of the proposed regulations in this document. More information on the work of the TEACH Grant Committee can be found at: <http://www.ed.gov/policy/highered/reg/hearulemaking/2008/teach.html>.

The Secretary bases these proposed regulations for the TEACH Grant program on the regulations of the Federal Pell Grant program or the William D. Ford Federal Direct Loan (Direct Loan) program as appropriate given the similar nature of these programs. Like the Federal Pell Grant

program, the TEACH Grant program provides for direct grants from the Federal government to students to assist in paying their college expenses. However, unlike the Federal Pell Grant program, the TEACH Grant program requires grant recipients to complete a service obligation consisting of four years of teaching in a high-need field at a low-income elementary or secondary school within eight years of completing the program of study for which the TEACH Grant was given. If a recipient fails to complete this service obligation, the TEACH Grant converts to a Federal Direct Unsubsidized Loan.

Under the proposed regulations, the Secretary would deliver funds using the same system as used for the Federal Pell Grant and Direct Loan programs. This will allow the coordination of administrative requirements and will assist participating institutions in administering the program, reduce the institutional administrative burden and paperwork, and simplify the application process for students. Accordingly, these proposed regulations would include the following definitions, without changes, from the Federal Pell Grant program regulations in 34 CFR 690.2:

Institutional Student Information Record (ISIR) Payment Data Student Aid Report (SAR)

In addition, the substance of proposed §§ 686.5, 686.22(a) through (f), 686.25, 686.30, 686.33, 686.34, 686.35, 686.36 and 686.38 reflect the Pell Grant requirements in 34 CFR 690.8, 690.63(a) through (f), 690.66, 690.71, 690.76, 690.79, 690.80(a) and (b), 690.81, and 690.82. We have included these specific Pell Grant requirements in the text of the proposed TEACH Grant regulations to provide a complete description in part 686 of the program-specific requirements for the TEACH Grant program. Other sections of the proposed TEACH Grant program regulations reflect the Federal Pell Grant program requirements and the William D. Ford Federal Direct Loan program requirements to the extent practicable.

Significant Proposed Regulations

We group major issues according to subject, with appropriate sections of the proposed regulations referenced in parenthesis. We discuss substantive issues under the sections of the proposed regulations to which they pertain.

Late Disbursements (§ 668.164(g))

Statute: The HEA does not specifically address the issue of late disbursements of TEACH Grants.

Proposed Regulations: Current 34 CFR 668.164(g) allows a student who is no longer eligible to receive Title IV, HEA program funds to qualify for those funds if certain conditions are satisfied; for example, the institution receiving a SAR or an ISIR with an official expected family contribution. Current § 668.164(g) also specifies the affected programs. The proposed regulations would add the TEACH Grant program to the list in § 668.164(g) of programs for which a student becomes ineligible when the student is no longer enrolled at the institution for the award year. The proposed regulations would also describe how TEACH Grant recipients may qualify for a late disbursement.

Reason: For a student to be considered eligible for a late disbursement of Title IV aid, the institution must have received a SAR or an ISIR with an official expected family contribution (EFC) and must originate the award before the student became ineligible. For TEACH Grant purposes, “originate” means that the student meets the eligibility requirements of § 686.11, including signing the service agreement.

Calculating and Applying Cohort Default Rates (§ 668.183)

Statute: Section 435(m) of the HEA defines cohort default rate calculation procedures.

Proposed Regulations: We are proposing to amend current 34 CFR 668.183 to specify that for purposes of calculating an institution’s cohort default rate, a TEACH Grant that has been converted to a Federal Direct Unsubsidized Loan is not included.

Reason: In the case of a student whose TEACH Grant is converted to a Federal Direct Unsubsidized Loan and who defaults on that loan, the Secretary does not believe that the loan should be included in the institution’s cohort default rate calculation. The TEACH Grant award is originally made to the student as a grant and converts to a loan only after the student takes (or fails to take) certain actions. This conversion may occur many years after the award is made. Including the loan in the calculation of the rate at this stage in the process would not serve the purposes of the cohort default rate. The cohort default rates are a measure of an institution’s administrative capability to control defaults to the extent the rates are calculated on data reasonably related to the period of a student’s attendance at an institution. The conversion of TEACH Grants to Direct Loans will generally occur at a significantly later point in time than

would be reasonable to include in an institution’s cohort default rate.

Overaward (§ 673.5)

Statute: Section 420M(c)(2) of the HEA provides that the TEACH Grant, in combination with Federal assistance and other student assistance, may not exceed the student’s cost of attendance.

Proposed Regulations: We are proposing to amend current 34 CFR 673.5(c) to include the amount of any TEACH Grant in the types of funds that may be used to replace a student’s EFC and to clarify that any amount in excess of a student’s EFC is considered estimated financial assistance.

Reason: TEACH Grants are not awarded based on need and therefore are permitted to replace a student’s EFC. As with other forms of aid that may replace EFC, any TEACH Grant amount in excess of the EFC is considered estimated financial assistance.

Part 686—Teacher Education Assistance for College and Higher Education (TEACH) Grant Program

Definitions (§ 686.2)

Academic Year or Its Equivalent for Elementary and Secondary Schools (Elementary or Secondary Academic Year)

Statute: Section 420N(b)(1)(A) of the HEA provides that a grant recipient must serve as a full-time teacher for a total of not less than four academic years within eight years after completing the program of study for which he or she received a TEACH grant.

Proposed Regulations: Proposed § 686.2 would provide a definition of *academic year or its equivalent for elementary and secondary schools (elementary or secondary academic year)* for purposes of the TEACH Grant program. An academic year for elementary and secondary schools would be one complete school year or two complete and consecutive half-years from different school years, excluding summer sessions, that generally fall within a 12-month period. If a school has a year-round program of instruction, the Secretary would consider a minimum of nine consecutive months to be the equivalent of an academic year.

Reasons: This proposed definition is adopted from the definition of the term “academic year” used for purposes of determining teacher loan forgiveness in the Federal Family Education Loan (FFEL) program regulations in 34 CFR 682.215(b). Using the same definition for the TEACH Grant program would ensure equity in that the service

performed by participants in both of these programs would be calculated in the same manner. Several non-Federal negotiators suggested removing the word “consecutive” from the first paragraph of the definition and eliminating the exclusion of summer sessions. The Secretary believes that these suggested changes would effectively allow a grant recipient to complete the four-year service obligation in less than four years, contrary to the TEACH Grant provisions in the statute. The Secretary is further concerned that full-time teaching in a summer session is not equivalent to full-time teaching in a regular school term.

Some non-Federal negotiators requested that the term “consecutive” be removed from the second paragraph of the definition, which deals with a year-round program of instruction. These negotiators expressed concern that, because some year-round calendars punctuate the months of instruction with breaks of several weeks in length, year-round calendars may not technically meet the requirement for a minimum of nine consecutive months to be the equivalent of an academic year. The Department has decided not to remove the word “consecutive” because that would make this definition inconsistent with the one used for purposes of the teacher loan forgiveness in the FFEL program. That definition has been in use for several years without causing any difficulties. However, the Secretary would consider nine months of full-time teaching within a 12-month period in a year-round program the equivalent of an academic year for purposes of the TEACH Grant program.

Annual Award and Scheduled Award

Statute: Section 420M(a)(1) of the HEA establishes \$4,000 as the amount a TEACH Grant-eligible student may receive for a year, and section 420M(c)(1) of the HEA provides that awards for part-time attendance are reduced in proportion to a student’s less-than-full-time enrollment status.

Proposed Regulations: Proposed § 686.2 would define the term *Scheduled Award* as the maximum amount of a TEACH Grant that a full-time student could receive for a year and the term *annual award* as the maximum TEACH Grant amount a student would receive for enrolling as a full-time, three-quarter-time, half-time, or less-than-half-time student and remaining in that enrollment status for a year.

Reason: These definitions, in conjunction with the provisions of subpart C of the proposed regulations (Determination of Awards) would

ensure compliance with the statutory requirements that a TEACH Grant-eligible student receive an award of \$4,000 for attendance during a year and that a student's payments be adjusted based on the student's enrollment status during a payment period.

Elementary School

Statute: Section 420N(b)(1)(A) and (B) of the HEA provides that a TEACH Grant recipient must serve as a full-time teacher for a total of not less than four academic years within eight years after completing the course of study for which he or she received a TEACH Grant in an elementary or secondary school that serves low-income students.

Proposed Regulations: Proposed § 686.2 would provide a definition of *elementary school* for TEACH Grant purposes. The term *elementary school* would be defined as a nonprofit institutional day or residential school, including a public elementary charter school, which provides elementary education, as determined under State law.

Reason: This proposed definition, which would implement the statutory requirement that a TEACH Grant recipient teach in an elementary or secondary school, is from section 9101(18) of the Elementary and Secondary Education Act of 1965 (ESEA).

High-Need Field

Statute: Section 420N(b)(1)(C) of the HEA provides that a grant recipient must teach in one of the high-need fields of mathematics, science, a foreign language, bilingual education, special education, as a reading specialist or in another field documented as high-need by the Federal Government, State government, or local educational agency (LEA), and approved by the Secretary. Section 420N(a)(2)(B)(i) identifies English language acquisition as a high-need field.

Proposed Regulations: Proposed § 686.2 would define the term *high-need field* for the purposes of the TEACH Grant program. A *high-need field* would include bilingual education and English language acquisition, foreign language, mathematics, reading specialist, science, special education, and any other field documented as high-need by the Federal Government, a State government or an LEA, and approved by the Secretary and listed in the Department's annual Teacher Shortage Area Nationwide Listing (Nationwide List).

Reason: This proposed definition would implement the statutory requirement that, to meet the service

obligation, a TEACH Grant recipient must teach in a high-need field.

Highly-Qualified

Statute: Section 420N(b)(1)(E) of the HEA provides that a TEACH Grant recipient must comply with the requirements for being a highly-qualified teacher, as defined in section 9101 of the ESEA.

Proposed Regulations: Proposed § 686.2 would define the term *highly-qualified* for purposes of the TEACH Grant program. The term would have the meaning set forth in section 9101(23) of the ESEA or in section 602(10) of the Individuals with Disabilities Education Act (IDEA).

Reason: This proposed definition would implement the statutory requirement that a TEACH Grant recipient serve as a highly-qualified teacher. The Secretary considers it appropriate to use the definition of highly-qualified from the ESEA for teachers in all of the high-need fields listed in the HEA with the exception of special education teachers. Special education teachers must satisfy the definition of highly-qualified in section 602(10) of the IDEA.

Numeric Equivalent

Statute: Section 420N(a)(2)(A)(ii)(I) of the HEA provides that a student may be eligible for a TEACH Grant based, in part, on a grade point average (GPA) comparable to a 3.25 average on a 4.0 scale under standards prescribed by the Secretary.

Proposed regulations: Under proposed § 686.11(a)(1)(v), a student may be eligible for a TEACH Grant based on a cumulative GPA at an institution (or, in the case of a first year student, at a secondary school) of at least 3.25 on a 4.0 scale, or the numeric equivalent. We are proposing to define the term *numeric equivalent*, for purposes of the TEACH Grant program, in a manner consistent with the definition of that term in 34 CFR 691.15(g) of the Academic Competitiveness Grant (ACG) program and National Science and Mathematics Access to Retain Talent (SMART) Grant program regulations.

As in the ACG and National SMART Grant programs, to determine a numeric equivalent, an institution that has one or more academic programs that measure academic performance using alternatives to standard numeric grading procedures would be required to develop and apply an academically defensible equivalency policy with a numeric scale for purposes of determining student eligibility. That equivalency policy would need to be in

writing and available to students upon request. The policy would also need to include clear differentiations of student performance to support a determination that a student has performed, in his or her TEACH Grant-eligible program, at a level commensurate with at least a 3.25 GPA on a 4.0 scale. Generally, a grading policy that includes only "satisfactory/unsatisfactory", "pass/fail", or other similar nonnumeric assessments would not be a numeric equivalent under the proposed regulations. However, such assessments would be considered numeric equivalents if the institution could demonstrate that the "pass" or "satisfactory" standard has the numeric equivalent of at least a 3.25 GPA on a 4.0 scale, or that a student's performance for tests and assignments yielded a numeric equivalent of a 3.25 GPA on a 4.0 scale. Under the proposed definition of the term *numeric equivalent*, the institution's equivalency policies would need to be consistent with any other standards that the institution may have developed for academic and other Title IV, HEA program purposes, such as graduate school applications and scholarship eligibility, to the extent such standards distinguish among various levels of a student's academic performance.

Reason: During negotiated rulemaking, the non-Federal negotiators requested clarification of the term "numeric equivalent" as it is used to determine comparability to a 3.25 GPA on a 4.0 scale. We agreed to incorporate the definition of the term as it is used in the ACG and National SMART Grant programs. The ACG and National SMART Grant programs have GPA requirements that are similar to those of TEACH Grants in that students are required to maintain minimum GPAs to retain eligibility for a TEACH Grant. The Department has had a successful experience implementing the ACG/ National SMART Grant programs' definition of "numeric equivalent," and thus believes that this definition should be applied to GPA calculations for the TEACH Grant program. In addition, maintaining a consistent definition between programs minimizes burden for institutions and provides a consistent standard between programs.

Post-Baccalaureate Program

Statute: Section 420L(2) of the HEA defines post-baccalaureate as a program of instruction for teacher candidates who have completed a baccalaureate degree, that does not lead to a graduate degree, and that consists of courses required by a State in order for a teacher candidate to receive a professional certification or licensing credential that

is required for employment as a teacher in an elementary school or secondary school in that State, but does not include any program of instruction offered by a TEACH Grant-eligible institution that offers a baccalaureate degree in education.

Proposed Regulations: Proposed § 686.2 would define the term *post-baccalaureate program* for purposes of the TEACH Grant program using the statutory language and stating that a post-baccalaureate program would be treated as an undergraduate program for TEACH Grant purposes.

Reason: This proposed definition is necessary to implement the HEA and to clarify that the Secretary considers a post-baccalaureate program to be an undergraduate program for TEACH Grant purposes.

Retiree

Statute: Section 420N(2)(B)(i) of the HEA provides that a retiree from another occupation with expertise in a field in which there is a shortage of teachers who is pursuing a master's degree to prepare to teach would be eligible for a TEACH Grant.

Proposed Regulations: Proposed § 686.2 would define the term *retiree*, for purposes of the TEACH Grant program, as an individual who has decided to change his or her occupation for any reason and who has expertise, as determined by the institution, in a high-need field.

Reason: This proposed definition would implement the statutory provision specifying that individuals who are seeking a master's degree and are retirees from another occupation with expertise in a field in which there is a shortage of teachers may be eligible for a TEACH Grant.

School Serving Low-Income Students (Low-Income School)

Statute: Section 420N(b)(1)(B) of the HEA provides that a TEACH Grant recipient must agree to teach in a school described in section 465(a)(2)(A) of the HEA.

Proposed Regulations: Proposed § 686.2 would define a *school serving low-income students (low-income school)*, for purposes of the TEACH Grant program, as an elementary or secondary school that is in the school district of an LEA that is eligible for assistance pursuant to Title I of the ESEA; that has been determined by the Secretary to be a school in which more than 30 percent of the school's total enrollment is made up of children who qualify for services provided under Title I of the ESEA; and that is listed in the Department's Annual Directory of

Designated Low-Income Schools for Teacher Cancellation Benefits. The Secretary would consider all elementary and secondary schools operated by the Bureau of Indian Education (BIE) or operated on Indian reservations by Indian tribal groups under contract or grant with the BIE to qualify as schools serving low-income students.

Reason: The proposed definition is drawn from section 465(a)(2)(A) of the HEA, which provides for loan cancellation for teachers in the Federal Perkins Loan Program. The non-Federal negotiators questioned whether the designation of a low-income school would be made by the school district or by the individual school. As is clearly specified in section 465(a)(2)(A) of the HEA, the designation of a low-income school is made at the level of the individual school.

Secondary School

Statute: Section 420N(b)(1)(A) and (B) of the HEA provides that a TEACH Grant recipient must serve as a full-time teacher in an elementary or secondary school that serves low-income students for a total of not less than four academic years within eight years after completing the course of study for which he or she received a TEACH Grant.

Proposed Regulations: Proposed § 686.2 would define the term *secondary school*, for TEACH Grant purposes, as a secondary school would be a nonprofit institutional day or residential school, including a public secondary charter school, that provides secondary education, as determined under State law, but does not include any education beyond grade 12.

Reason: This proposed definition, which is taken from section 9101(38) of the ESEA, would implement the statutory requirement that a TEACH Grant recipient teach in an elementary or secondary school.

Service Agreement

Statute: Section 420N(b) of the HEA provides that each applicant for a TEACH Grant must sign an agreement to serve as a full-time teacher in a low-income school in a high-need field for a total of not less than four academic years within eight years after completing the course of study for which the individual received a TEACH Grant, submit evidence of such employment in the form of a certification by the chief administrative officer of the school upon completion of each year of service, and comply with the requirements for being a highly-qualified teacher.

Proposed Regulations: Proposed § 686.2 would define the term *service agreement*, for purposes of the TEACH Grant program, as an agreement under which the individual receiving a TEACH Grant commits to meet the service obligation described in § 686.12 and to comply with the notification requirements and other provisions of the agreement.

Reason: This proposed definition would implement the statutory requirement that a service agreement accompany each TEACH Grant application.

TEACH Grant-Eligible Institution

Statute: Section 420L(1) and (2) of the HEA provides that an eligible institution for purposes of the TEACH Grant program is an institution of higher education as defined in section 102 of the HEA that is financially responsible and that provides: High-quality teacher preparation and professional development services, including extensive clinical experience as part of pre-service preparation; pedagogical coursework, or assistance in the provision of such coursework; and supervision and support services to teachers, or assistance in the provision of such services, or that provides a post-baccalaureate program of instruction.

Proposed Regulations: The proposed definition of *TEACH Grant-eligible institution* in § 686.2 would implement the statutory requirement that an institution must be financially responsible by using the current standards for institutions participating in the Title IV HEA programs in 34 CFR part 668, subpart L. Under the proposed definition, an institution must meet this financial responsibility requirement and provide a high-quality teacher preparation program at the baccalaureate or master's degree level that is (1) accredited by a specialized accrediting agency recognized by the Secretary for the accreditation of professional teacher education programs; or (2) approved by a State, includes extensive pre-service clinical experience, and provides pedagogical coursework, or the assistance in the provision of such coursework. In both cases, the institution must provide supervision and support services to teachers or assist in the provision of services to teachers.

Under the proposed definition of TEACH Grant-eligible institution, an institution that is financially responsible would also be eligible to participate in the TEACH Grant program under any of the following conditions:

(A) The institution offers a post-baccalaureate program but not a

baccalaureate teacher preparation program.

(B) The institution offers a baccalaureate degree that, in combination with other training or experience, will prepare an individual to teach in a high-need field and has entered into an agreement with a TEACH Grant-eligible institution that offers a teacher preparation program or one that offers a post-baccalaureate program.

(C) The institution provides either a two-year program that is acceptable for full credit toward a high-quality baccalaureate teacher preparation program at a TEACH Grant-eligible institution, as demonstrated by the institutions, or a two-year program that is acceptable for full credit toward a baccalaureate degree in a high-need field at a TEACH Grant-eligible institution, as demonstrated by the institutions.

Reasons: For TEACH Grant purposes, section 420L of the HEA specifies that an eligible institution must be financially responsible. Unlike the current regulations that allow an institution that is not financially responsible to continue to participate in all of the other title IV, HEA programs under an alternate financial standard in § 668.175, the proposed regulations would not permit that institution to participate in the TEACH Grant program under alternate standards in § 668.175(d)(1)(ii), (f), or (g).

The proposed definition of TEACH Grant-eligible institution would make several kinds of institutions TEACH Grant-eligible. In some cases eligibility would be based on an institution's offering a teacher preparation program. In other cases, eligibility would be based on the relationships institutions establish with one another. This would provide for several pathways for students to acquire the education and knowledge needed to serve as highly-qualified teachers in high-need fields. One such pathway would be completion of a baccalaureate or master's degree teacher preparation program. The Department initially considered requiring that the teacher preparation program offered by an institution be accredited by a specialized accrediting agency recognized by the Secretary for the accreditation of teacher education programs or be approved by a State. However, because section 420L(1)(A) of the HEA stipulates that teacher preparation must include extensive clinical experience, and some States approve programs that do not include extensive clinical experience, the Department proposes instead that a teacher preparation program must either

be accredited by a specialized accrediting agency or approved by a State and include extensive pre-service clinical experience and pedagogical coursework.

The proposed definition of TEACH Grant-eligible program would clarify that, in order to be eligible under this program, an institution offering a teacher preparation program must also provide supervision and support services to teachers, or assist in the provision of services to teachers. Several non-Federal negotiators noted that most institutions do not directly supervise teachers in the classroom, if the term "supervise" is understood in the employment sense. However, institutions do provide services in the form of providing information and resources to teachers and school districts, and direct observation and coaching, to strengthen the classroom performance of novice teachers. The definition of TEACH Grant-eligible program includes examples of the kinds of services that an institution might offer as its supervision and support services.

A second pathway for a student to prepare to teach in a high-need field would be either completion of a baccalaureate program at one institution and a master's level teacher preparation program at another institution or a post-baccalaureate program at an institution that does not offer a teacher preparation program. Under the proposed definition, in order for the first institution to be eligible, it would need to have entered into an agreement with an institution offering a teacher preparation program or a post-baccalaureate program.

Two pathways are identified for students who initially enroll in a two-year institution. The Department initially considered making such an institution eligible if it offered a program that was fully transferable to a four-year TEACH Grant-eligible institution offering a teacher preparation program or one offering a baccalaureate program in a high-need field. The non-Federal negotiators recommended using the phrase "acceptable for full credit toward a baccalaureate degree" in place of "fully transferable to a four-year institution." We used the language recommended by the non-Federal negotiators in the proposed definition because it would mirror language from section 101 of the HEA. We would consider that an institution meets this requirement if it can demonstrate upon the request of the Secretary that its two-year program is fully-acceptable by at least one four-year institution. Examples of documents institutions might use to demonstrate that the two-year program

is acceptable for full credit toward a baccalaureate program would include both formal articulation agreements with four-year institutions and actual student records demonstrating that four-year institutions fully accept transfer credits from the two-year institution.

TEACH Grant-Eligible Program

Statute: The HEA does not define the term eligible program for the TEACH Grant program.

Proposed Regulations: Proposed § 686.2 would define the term *TEACH Grant-eligible program* as an eligible program as defined in 34 CFR 668.8 that is a program of study that prepares an individual to teach in a high-need field and that leads to a baccalaureate or master's degree, or is a post-baccalaureate program of study. Under the proposed definition for the term *TEACH Grant-eligible program*, a two-year program of study that is acceptable for full credit toward a baccalaureate degree would be considered to be a program of study that leads to a baccalaureate degree.

Reasons: The proposed definition is based on provisions in section 420L of the HEA and the proposed definition of TEACH Grant-eligible institution in proposed § 686.2. While supporting the definition, some non-Federal negotiators were concerned that it would not be readily apparent to students which programs at an institution would be TEACH Grant-eligible programs because of the various pathways that a student might follow in preparing to teach as a highly-qualified teacher in a high-need field. The Department believes that each institution would need to define which of its programs would be TEACH Grant-eligible programs. A couple of the non-Federal negotiators suggested that their institutions would likely require students to develop an academic plan indicating how they would gain the education needed to begin a teaching career as a highly-qualified teacher in a high-need field. Based on that plan, they would be able to determine whether the student's program of study meets the definition requirements of a TEACH Grant-eligible program. Other non-Federal negotiators agreed and suggested that it would be helpful to include the appropriate academic departments in the review of academic plans. All members of the negotiating committee agreed that these suggestions made sense.

Teacher

Statute: The HEA does not define the term teacher.

Proposed Regulations: Proposed § 686.2 would define the term *teacher*

for purposes of the TEACH Grant program as a person who provides direct classroom teaching or classroom-type teaching in a non-classroom setting, including special education teachers and reading specialists.

Reason: The proposed definition of teacher in § 686.2 is taken from the FFEL program regulations for teacher loan forgiveness in 34 CFR 682.215. The Secretary believes that it would be appropriate to use the same definition for both the TEACH Grant program and the FFEL teacher loan forgiveness program. Under the proposed definition, the term would not include counselors, administrators or other types of school personnel who may be listed in the Department's annual Teacher Shortage Area Nationwide Listing but who do not provide classroom or classroom-type teaching.

Teacher Preparation Program

Statute: Section 420L of the HEA refers to teacher preparation program in the context of an eligible institution.

Proposed Regulations: Proposed § 686.2 would define the term *teacher preparation program*, for TEACH Grant program purposes, as a State-approved course of study, the completion of which signifies that a student has met all the State's educational or training requirements for initial certification or licensure to teach in the State's elementary or secondary schools. Under this definition, a teacher preparation program could be a regular program or an alternative route to certification, as defined by the State. Under the proposed definition, the teacher preparation program must be provided by an institution of higher education.

Reason: The proposed definition of teacher preparation program would be adopted from the Reporting Reference and User Manual, the accountability system mandated under Title II (sections 207 and 208) of the HEA. The manual, which was subject to public comment, has been in use since 2000. Using the same definition in the TEACH Grant program would ensure consistency across programs that focus on enhancing teacher quality.

Duration of Student Eligibility (§ 686.3)

Statute: Section 420M(d)(1) and (2) of the HEA provides that the maximum amount an undergraduate or post-baccalaureate student may receive in TEACH Grants is \$16,000 and that the maximum amount a graduate student may receive in TEACH Grants is \$8,000.

Proposed Regulations: Section 686.3 of the proposed regulations would implement the statutory maximums. An undergraduate or post-baccalaureate

student would be eligible to receive the equivalent of up to four Scheduled Awards during the period required for the completion of the first undergraduate TEACH Grant-eligible baccalaureate program of study and the first post-baccalaureate program of study combined. A graduate student would be eligible to receive the equivalent of up to two Scheduled Awards during the period required for the completion of a TEACH Grant-eligible master's degree program of study.

Reason: The proposed regulations would implement the statutory requirements related to the duration of student eligibility from section 420M(d)(1) and (2) of the HEA.

Institutional Participation (§ 686.4)

Statute: The HEA does not specify whether an institution is required to participate in the TEACH Grant program.

Proposed Regulations: Section 686.4 of the proposed regulations would provide that a TEACH Grant-eligible institution that offers one or more TEACH Grant-eligible programs may elect to participate in the TEACH Grant program. If an institution begins participation in the TEACH Grant program during an award year, a student enrolled at and attending that institution would be eligible to receive a TEACH grant for the payment period during which the institution begins participation and any subsequent payment period.

An institution may cease to participate in the TEACH Grant program or may become ineligible to participate in the TEACH Grant program during an award year. A student who was attending the institution and who submitted a SAR with an official EFC to the institution, or for whom the institution obtained an ISIR with an official EFC, before the date the institution became ineligible would still be eligible to receive a TEACH Grant for the award year. The student would be eligible for the payment periods that the student completed before the institution ceased participation or became ineligible to participate and the payment period in which the institution ceased participation or became ineligible to participate.

An institution that ceases to participate in the TEACH Grant program or becomes ineligible to participate in the TEACH Grant program would be required to provide to the Secretary, within 45 days after the effective date of the loss of eligibility: (1) The name and other student identifiers of each eligible student under § 686.11 who, during the

award year, submitted a SAR with an official EFC to the institution or for whom it obtained an ISIR with an official EFC before it ceased to participate in the TEACH Grant program or became ineligible to participate; (2) the amount of TEACH Grant funds paid to each student during the award year; (3) the amount due each student eligible to receive a TEACH Grant through the end of the payment period during which the institution ceased to participate in the TEACH Grant program or became ineligible to participate; and (4) an accounting of the TEACH Grant program expenditures for that award year to the date of termination.

Reasons: The proposed regulations for this section would generally follow the Federal Pell Grant Program regulations in 34 CFR 690.7. Using these established procedures and processes that are already understood by institutions would simplify delivery for institutions and reduce institutional burden.

Enrollment Status for Students Taking Regular and Correspondence Courses (§ 686.5)

Statute: The HEA does not specifically address enrollment status for regular and correspondence courses.

Proposed Regulations: Section 686.5 of the proposed regulations would specify how an institution would treat correspondence courses for purposes of the TEACH Grant program. In determining a student's enrollment status, an institution could include correspondence courses a student takes from either his or her own institution or from another institution having an arrangement for this purpose with the student's institution.

Except as specified in proposed § 686.5(c), the correspondence work that could be included in determining a student's enrollment status would be that amount of work that: (a) Applies toward a student's degree or post-baccalaureate program of study or is remedial work taken by the student to help in his or her TEACH Grant-eligible program; (b) is completed within the period of time required for regular coursework; and (c) does not exceed the amount of a student's regular coursework for the payment period for which enrollment status is being calculated.

Under proposed § 686.5(c), a student who would be a half-time student based solely on his or her correspondence work would be considered a half-time student unless the calculation in the preceding paragraph produces an enrollment status greater than half-time. A student who would be a less-than-half-time student based solely on his or

her correspondence work or a combination of correspondence work and regular coursework would be considered a less-than-half-time student.

Reason: As is the case with the Federal Pell Grant Program, a student's award for a TEACH Grant is considered to be awarded based on the student's enrollment status. Accordingly, we believe it is appropriate for proposed § 686.5 to follow the corresponding Federal Pell Grant Program regulations in 34 CFR 690.8 for determining enrollment status for students taking correspondence courses.

Payment From More Than One Institution (§ 686.6)

Statute: The HEA does not address the issue of receipt of TEACH Grants from more than one institution.

Proposed Regulations: Proposed § 686.6 would stipulate that a student may not receive TEACH Grant payments concurrently from more than one institution.

Reason: Under the Federal Pell Grant program and the ACG and National SMART Grant programs, a student cannot receive payments from more than one institution at the same time. To ensure coordination with the Federal Pell Grant program and the ACG and National SMART Grant programs, proposed § 686.6 would provide that a student can only receive a TEACH Grant from one institution for the same payment period.

Application (§ 686.10)

Statute: Section 420N(a) of the HEA contains the student eligibility requirements for the TEACH Grant program. Section 420N(a)(1) requires that to receive a TEACH Grant, a student must apply. Section 420N(a)(2) provides for additional information that a student may need to submit as part of the application process. Section 420N(b) provides that a service agreement must accompany the application. In addition, the TEACH Grant program, along with the other Title IV, HEA programs, is subject to the provisions of section 483 of the HEA, which establishes a common financial aid form for these programs.

Proposed Regulations: Section 686.10 of the proposed regulations would specify the procedures that a student must follow when applying for a TEACH Grant, and in particular, would require that a student must submit a Free Application for Federal Student Aid (FAFSA); complete and sign a service agreement and promise to repay; and provide any additional information requested by the Secretary.

Reasons: Under section 483(a) of the HEA, the FAFSA is the standard form used by all students applying for Title IV, HEA program aid. Although the TEACH Grant program is not need-based, using the FAFSA and procedures that are similar to those used in the Federal Pell Grant program would enable institutions to make a determination of student eligibility for the TEACH Grant program until a streamlined application can be developed. Completion of a service agreement and promise to repay are considered to be part of the application process. Further requirements regarding the service agreement would be set forth in proposed § 686.12. The promise to repay describes the terms and conditions of the Federal Direct Unsubsidized Loan to which the TEACH Grant is converted if the grant recipient fails to meet the service obligation. Finally, the regulations provide for the collection of additional information, such as test scores, to ensure that students are eligible.

Eligibility to Receive a Grant (§ 686.11) Undergraduate, Post-Baccalaureate, and Graduate Students

Statute: Section 420N(a) of the HEA provides student eligibility requirements for the TEACH Grant program.

Proposed Regulations: Section 686.11(a)(1)(i) through (iv) of these proposed regulations would set forth the TEACH Grant student eligibility requirements common to all students who are enrolled in undergraduate, post-baccalaureate, and graduate programs. All students would have to meet the student eligibility requirements under 34 CFR part 668, subpart C; have submitted a completed application along with a signed service agreement; and be enrolled in a TEACH Grant-eligible institution in a TEACH Grant-eligible program. All students would also be required to be completing coursework and other requirements necessary to begin a career in teaching or plan to do so before graduating.

Reason: An otherwise eligible student remains eligible for a TEACH Grant as long as that student is still completing coursework and other requirements necessary to begin a career in teaching or plans to complete such coursework and requirements prior to graduating. However, simply graduating from a program does not necessarily mean the same as completing all of the coursework necessary to begin a career in teaching. For example, a student may graduate with an undergraduate degree, but must complete a post-baccalaureate

program or other coursework before the student can begin a career in teaching. Thus, where the proposed regulations refer to completion of coursework and other requirements before graduating, the Secretary would interpret the term "graduating" to mean the point at which the student has completed all the coursework and other requirements necessary to prepare that student to begin a career in teaching.

Statute: Section 420N(a) of the HEA provides student eligibility requirements for the TEACH Grant program. Section 420N(a)(2)(A)(ii) of the HEA contains requirements related to academic achievement that enrolled students receiving TEACH Grants must meet.

Proposed Regulations: Section 686.11(a)(1)(v) of the proposed regulations would set forth additional TEACH Grant student eligibility requirements. Proposed § 686.11(a)(1)(v)(E) would stipulate that all students, regardless of postsecondary level, may qualify for a TEACH Grant by scoring above the 75th percentile of scores on at least one of the batteries from a nationally-normed standardized undergraduate, graduate, or post-baccalaureate admissions test. The student's test score would be compared to the test score achieved by all students taking the same test during the same period the student took the test. Students who do not meet this requirement must meet the GPA requirements under proposed § 686.11(a)(1)(v)(A) through (D) to either initially qualify for or maintain eligibility for a TEACH Grant.

Reason: Proposed § 686.11(a)(1)(v)(E) would implement the statutory requirement under section 420N(a)(2)(A)(ii)(II) of the HEA that a student may qualify for a TEACH Grant by displaying high academic aptitude as demonstrated by scoring above the 75th percentile on at least one battery on a standardized admissions test. Thus, for example, a student who scored above the 75th percentile on the math section of the SAT Reasoning Test (SAT), but who scored below the 75th percentile on the other sections of the SAT, could qualify for a TEACH Grant, if otherwise eligible, because the student displayed high academic aptitude by scoring above the 75th percentile on one of the SAT batteries.

The proposed regulations would not restrict the applicability of qualifying test scores by educational level. A qualifying test score from an undergraduate admissions test could qualify an otherwise eligible student for a TEACH Grant regardless of whether the student would be an undergraduate

or graduate student. The proposed regulations would also not place a limit on the period of time that has elapsed since the student earned the qualifying test score. The qualifying test score is intended to demonstrate high academic aptitude and the negotiators believed that there is no reason to suppose that there would be a time limitation on such demonstration of academic aptitude or that one should be set. An otherwise eligible student who qualified with a test score would not need to meet additional GPA requirements to retain eligibility for a TEACH Grant. However, tests used exclusively as placement tests by the institution could not be used to qualify a student for a TEACH Grant.

Proposed § 686.11(a)(1)(v)(A)(1) would implement the statutory provision that a student in the first year of a program of undergraduate education can qualify for a TEACH Grant with a cumulative secondary school GPA of 3.25 on a 4.0 scale, or the numeric equivalent. A student qualifying with such a GPA for the first year would need to meet additional GPA requirements to retain eligibility for a TEACH Grant once that student is beyond the first year of his or her undergraduate program.

Proposed § 686.11(a)(1)(v)(A)(2), (B), (C), and (D) would implement the statutory requirement that a student who did not achieve the requisite test score under proposed § 686.11(a)(1)(v)(E) must maintain a 3.25 GPA on a 4.0 scale, or the numeric equivalent, in order to maintain eligibility for a TEACH Grant. Under proposed § 686.11(a)(1)(v)(A)(2), students in the first year of a program of undergraduate education, as determined by the institution, who did not qualify under proposed § 686.11(a)(1)(v)(A)(1), would need to achieve an undergraduate GPA of 3.25 on a 4.0 scale, or the numeric equivalent, through the most recently completed payment period, to be eligible for a TEACH Grant. Similarly, under proposed § 686.11(a)(1)(v)(B), a student beyond the first year of a program of undergraduate education (including a post-baccalaureate program), as determined by the institution, would need to maintain an undergraduate GPA of 3.25 on a 4.0 scale, or the numeric equivalent, through the most-recently completed payment period, to continue to be eligible.

For graduate students, proposed § 686.11(a)(1)(v)(C) would provide that the student may qualify for a TEACH Grant in the first payment period of graduate study based on a cumulative undergraduate GPA of at least 3.25 on

a 4.0 scale, or the numeric equivalent. Under proposed § 686.11(a)(1)(v)(D), graduate students beyond the first payment period would need to achieve a cumulative graduate GPA of at least 3.25 on a 4.0 scale, or the numeric equivalent, through the most-recently completed payment period.

Current or Former Teachers or Retirees (§ 686.11(b))

Statute: Section 420N(a) of the HEA provides student eligibility requirements for the TEACH Grant program. Section 420N(a)(2)(B) provides student eligibility requirements for students who are current or former teachers or retirees.

Proposed Regulations: Proposed § 686.11(b) would set forth the TEACH Grant student eligibility requirements for current or former teachers and retirees. A current or former teacher or retiree would need to meet the student eligibility requirements under 34 CFR part 668, subpart C and have submitted a completed application along with a signed service agreement, and be applying for a TEACH Grant to obtain a master's degree. The applicant would need to be a teacher or retiree or be a current or former teacher pursuing certification through a high-quality alternative certification route. The applicant also would need to be enrolled in a TEACH Grant-eligible institution in a TEACH Grant-eligible program during the time period required for completion of a master's degree.

Reason: Proposed § 686.11(b) would implement the statutory requirements related to student eligibility for current and former teachers and retirees in 420N(a)(2)(B) of the HEA.

Transfer Student GPA (§ 686.11(c))

Statute: Section 420N(a)(2)(A)(ii)(I) of the HEA provides that an undergraduate, post-baccalaureate or graduate student's eligibility for a TEACH Grant may be based on the student maintaining a cumulative GPA of at least 3.25 on a 4.0 scale.

Proposed Regulations: Proposed § 686.11(c) would be based on the transfer student GPA requirements in the National SMART Grant program for institutions that do or do not incorporate transfer grades from coursework accepted by the new institution, except that for purposes of the TEACH Grant program, the GPA would be calculated based on the coursework accepted by the institution on transfer without determination of whether the transferred coursework will actually be considered part of the TEACH Grant-eligible program.

Reasons: The proposed regulations would ensure that a transfer student could meet the GPA requirement to receive a TEACH Grant for his or her first payment period at the institution to which the student has transferred by calculating the student's transfer GPA using a methodology similar to that already used by the institution to determine a transfer student's GPA for the National SMART Grant program. The Secretary believes that allowing the new institution to use grades assigned to coursework accepted by the new institution for initial GPA calculation purposes for that transfer student instead of using grades assigned only to coursework accepted into the TEACH Grant-eligible program would decrease the burden on institutions and students because institutions will not have to take the extra step of determining which of the transferred courses will actually apply to the TEACH Grant-eligible program at the time of the student's admission.

Service Agreement (§ 686.12)

Statute: Section 420N(b) requires that each application for a TEACH Grant contain or be accompanied by a service agreement. In accordance with section 420N(b)(1)(A) through (C) and (E) of the HEA, the service agreement must state that the TEACH Grant recipient will serve as a full-time teacher for a total of not less than four academic years within eight years of completing the course of study for which the applicant received a TEACH Grant in a low-income school as a highly-qualified teacher in a high-need field. Under section 420N(b)(1)(D) of the HEA, the service agreement must require the grant recipient to submit evidence of his or her service, upon completion of each year of such service, in the form of a certification by the chief administrative officer of the school in which the recipient is teaching. Lastly, section 420N(c) of the HEA provides that if the recipient fails or refuses to carry out the service obligation, any TEACH Grants received shall be treated as a Federal Direct Unsubsidized Loan under part D of Title IV of the HEA, with interest accruing from the date that each TEACH Grant was disbursed.

Proposed Regulations: Section 686.12(a) of the proposed regulations would provide that an applicant may receive a TEACH Grant only after signing a service agreement and receiving counseling in accordance with proposed § 686.32.

Section 686.12(b) of the proposed regulations would describe the requirements a grant recipient must satisfy in order to fulfill the service obligation. The grant recipient must—

- Serve as a full-time teacher for a total of not less than four elementary or secondary academic years within eight calendar years after completing the program for which the recipient received the TEACH Grant or otherwise ceased enrollment;

- Teach in a low-income school;
- Be a highly-qualified teacher;
- Teach in a high-need field in the majority of classes taught during each elementary or secondary academic year;
- Submit documentation of such service each year certified by the chief administrative officer of the school in which the grant recipient teaches; and
- Comply with the terms, conditions, and other requirements of the proposed regulations in §§ 686.40–686.43.

Section 686.12(c) of the proposed regulations would (1) require the completion of a service obligation for each program of study for which the recipient received a TEACH Grant; (2) stipulate that such service obligation begins following the completion or other cessation of enrollment in a TEACH Grant-eligible program; and (3) provide that creditable teaching service may apply to more than one service obligation. Proposed § 686.12(c) would provide that a grant recipient may request a suspension of the eight-year time period during which the service obligation must be completed in accordance with proposed § 686.41.

Lastly, proposed § 686.12(d) would provide that a grant recipient who completes a TEACH Grant-eligible program in a high-need field listed in the Nationwide List cannot satisfy his or her service obligation to teach in that high-need field unless the field is listed in the Nationwide List for the State in which the grant recipient begins to teach at the time the recipient begins teaching.

Reasons: The purpose of proposed § 686.12 would be to implement the statutory requirements regarding the content of the service agreement and to serve as a source of information about the service obligations associated with the TEACH Grant program. The service agreement is a legally-binding document, the terms of which must be met for a TEACH Grant recipient to satisfy the service obligation. The service agreement contains information on the terms, conditions and other requirements in proposed §§ 686.40 through 686.43 with which the grant recipient must comply, such as: how to document the service obligation; under what conditions a suspension of the eight-year period for completion of the service obligation may be granted; under what conditions a service agreement can be discharged; and under what

conditions a TEACH Grant is converted to a Federal Direct Unsubsidized Loan.

In recognition of a recent trend to restructure elementary schools on a Kindergarten-Eighth Grade model and to promote the math and science skills of elementary school teachers, one of the non-Federal negotiators proposed that the Department consider allowing a teacher to fulfill the requirement to teach in a high-need field if the majority of classes taught by the grant recipient were in a high-need field. This non-Federal negotiator believed that adopting such a policy would allow more elementary school teachers to benefit from the TEACH Grant program. The Department agreed. We reflect this suggestion in proposed § 686.12(b)(1)(iii) and also in the proposed regulations on documenting the service obligation in § 686.40(c)(1)(i) and (ii).

Section 686.12(c)(1) of the proposed regulations would provide that creditable teaching service performed by a TEACH Grant recipient may apply to more than one service obligation. At the request of the non-Federal negotiators, we are including in this discussion several examples that illustrate when the application of creditable teaching service would apply to more than one service obligation. For instance, if a grant recipient completes a TEACH Grant-eligible program at a TEACH Grant-eligible institution and immediately enrolls in another TEACH Grant-eligible program at a TEACH Grant-eligible institution before beginning a career in teaching, the recipient may request a suspension of the eight-year time period under proposed § 686.41(a)(1) for the period of enrollment in the subsequent program and upon completion of the subsequent program, apply all qualified teaching service to both service obligations.

Another example would be when a grant recipient completes a TEACH Grant-eligible program at a TEACH Grant-eligible institution and begins qualified teaching service to meet the service obligation before enrolling in a subsequent TEACH Grant-eligible program. In this case, the recipient may request a suspension of the eight-year time period associated with the first service obligation under proposed § 686.41(a)(1) for the period of enrollment in a subsequent program and, upon completion of the subsequent program, apply qualified teaching service performed after the completion of the subsequent program to both service obligations. The qualified teaching service performed before the suspension would count only toward fulfillment of the first service obligation.

It is important to note that a TEACH grant recipient who fully satisfies the service obligation associated with the program for which TEACH Grants were received and subsequently enrolls in another TEACH Grant-eligible program cannot apply to the second service obligation any of the qualified service completed prior to enrolling in the subsequent program.

Finally, a grant recipient who has completed a TEACH Grant-eligible program and who begins qualified full-time teaching service toward the service obligation associated with that program, and then concurrently enrolls in another TEACH Grant-eligible program may, upon completing the subsequent TEACH Grant-eligible program, apply only qualified teaching service performed after the completion of the subsequent TEACH Grant-eligible program to both service obligations.

Because of the importance of the service agreement and because it is a source of information for the TEACH Grant recipient, several non-Federal negotiators believed that the agreement was the appropriate place to include language describing the risk a TEACH Grant recipient takes when majoring in a high-need field listed in the Nationwide List with the intent to teach in the high-need field upon completion of his or her program of study. The Department agreed. Therefore, we are proposing regulations in § 686.12(d) (Service agreement) stating that a grant recipient who completes a TEACH Grant-eligible program in a high-need field listed in the Nationwide List *cannot* satisfy his or her service obligation to teach in that high-need field unless the high-need field in which he or she has prepared to teach continues to be listed for the State in which the grant recipient begins teaching in fulfillment of his or her service obligation.

Submission Process and Deadline for a SAR or ISIR (§ 686.20)

Statute: Section 420M provides that the Secretary shall pay a grant to each TEACH Grant-eligible student who files an application and a service agreement for attendance in a TEACH Grant-eligible program.

Proposed Regulations: Proposed § 686.20 would provide that, as in the Federal Pell Grant program, a student must submit a SAR, or the institution must receive an ISIR, within established deadlines. The Federal Pell Grant Program requires that the student's SAR or ISIR be a valid SAR or valid ISIR with an EFC based on accurate application information. Unlike the Federal Pell Grant program, proposed § 686.20

would provide that the SAR or ISIR need only be a record with an official EFC, *i.e.*, an EFC computed by the Central Processing System (CPS) of the Department that may or may not be based on verified application information. Further, the proposed regulations, unlike the Federal Pell Grant program regulations, would not reference the deadlines for completing verification of application information under 34 CFR 688.60.

Reason: Unlike the Federal Pell Grant program, the TEACH Grant program is not need-based. It would, therefore, not be necessary that an institution receive a valid SAR or valid ISIR, nor would it be necessary to subject the TEACH Grant program to the verification requirements under 34 CFR part 688, subpart E. However, to determine the amount of a student's TEACH Grant in accordance with § 686.21(c), an institution would need an EFC based on accurate information even though the EFC is not computed by the CPS.

Calculation of a Grant (§ 686.21)

Maximum and Annual Award Amounts

Statute: Section 420M(a)(1) of the HEA establishes \$4,000 as the amount a TEACH Grant-eligible student may receive for a year, and section 420M(c)(1) of the HEA provides that awards for part-time attendance shall be reduced in proportion to a student's less-than-full-time enrollment status.

Proposed Regulations: Proposed § 686.21 would provide for a Scheduled Award of \$4,000, the maximum amount a student may receive in a year, and annual awards of \$4,000 for full-time enrollment status, \$3,000 for three-quarter-time enrollment status, \$2,000 for half-time enrollment status, and \$1,000 for less-than-half-time enrollment status.

Reason: The Secretary proposes to establish the TEACH Grant Scheduled Award and annual award amounts to implement the statutory requirements regarding maximum awards and awards for part-time attendance.

Treatment in Relation to Other Aid Received (§ 686.21)

Statute: Section 420M(c)(2) of the HEA provides that the amount of a student's TEACH Grant, in combination with Federal and other student financial assistance the student may receive, may not exceed the student's cost of attendance.

Proposed Regulations: Section 686.21(c) of the proposed regulations would provide that a student's TEACH Grant, when combined with the student's Federal Pell Grant eligibility

and other estimated financial assistance as defined in 34 CFR 673.5(c), may not exceed the student's cost of attendance under section 472 of the HEA. Further, proposed § 686.21(d) would provide that a student's TEACH Grant may replace the student's EFC. Any amount in excess of the EFC would be considered estimated financial assistance as defined in 34 CFR 673.5(c).

Reason: TEACH Grants are not awarded based on need and, therefore, are permitted to replace a student's EFC toward a student's postsecondary expenses. As with other forms of aid that may replace EFC, any TEACH Grant amount in excess of the EFC is considered estimated financial assistance.

Calculation of a Grant for a Payment Period (§§ 686.22 and 686.25)

Statute: Section 420M(a)(1) of the HEA establishes the amount a TEACH Grant-eligible student may receive for a year, and section 420M(c)(1) of the HEA provides that awards for part-time attendance shall be reduced in proportion to a student's less-than-full-time enrollment status.

Proposed Regulations: Proposed §§ 686.22 and 686.25 would detail how an institution would calculate a TEACH Grant payment for a payment period for an eligible student depending on the academic calendar of the eligible program, the student's enrollment status, and the amount of the student's annual award.

Reasons: As is the case with the Federal Pell Grant Program, a student's award for a TEACH Grant would be based on the student's enrollment status, a status that is based on attendance over a portion of an academic year. Proposed §§ 686.22 and 686.25 would generally correspond to the Federal Pell Grant Program regulations in 34 CFR 690.63 and 690.66, including amendments to these sections published in the **Federal Register** on November 1, 2007 (72 FR 62014–62034), for calculating payments for payment periods to distribute a student's award based on the student's enrollment status.

As in 34 CFR 690.63(a)(1) and (2) of the Federal Pell Grant Program regulations, § 686.22(a)(1) and (2) of the proposed regulations would establish the criteria for programs eligible to use the payment calculations under proposed § 686.22(b) and (c). For an undergraduate program including a post-baccalaureate program, § 686.22(a)(1)(i)(C)(1) and (2)(i)(C)(1) of the proposed regulations would provide that all terms in the award year must have a minimum full-time enrollment

standard of 12 credit hours. In addition, proposed § 686.22(a)(1)(i)(C)(2) and (2)(i)(C)(2) would provide that, for a graduate program, all terms in the award year must have the same minimum full-time enrollment status as determined by the institution for a semester, trimester, or quarter in that program. The provision for graduate programs would assure equivalency among all terms in the award year for purposes of calculating payments for payment periods.

Minimum Payment

Statute: The statute does not establish a minimum TEACH Grant payment.

Proposed Regulations: Section 686.22(g) of the proposed regulations would provide that the minimum payment for a payment period would be \$25.

Reason: Because awards must be adjusted not to exceed cost of attendance, a payment for a payment period may be reduced to a minimal amount. Setting a small minimum payment for a payment period would not adversely affect a student's eligibility for an award, and a smaller payment for a payment period would not be cost effective.

Definition of an Academic Year

Statute: Section 420M(a)(1) of the HEA establishes the amount a TEACH Grant-eligible student may receive for a year, and section 420M(c)(1) of the HEA provides that awards for part-time attendance shall be reduced in proportion to a student's less-than-full-time enrollment status. In addition, section 481(a)(2) of the HEA defines the term academic year.

Proposed Regulations: Section 686.22(h) of the proposed regulations would require an institution to define the term *academic year* for purposes of calculating payments for payment periods under proposed §§ 686.22 and 686.25. For an undergraduate TEACH Grant-eligible program, including post-baccalaureate programs, the institution would define the program's Title IV, HEA academic year in terms of credit or clock hours and weeks of instructional time in accordance with 34 CFR 688.3. For a TEACH Grant-eligible master's degree program, the institution would need to define the program's Title IV, HEA academic year in accordance with 34 CFR 688.3, *i.e.*, in terms of weeks of instructional time, and, for purposes of determining payments for TEACH Grant awards, in terms of the minimum number of credit or clock hours a full-time student would be expected to complete in the weeks of instructional

time of the program's Title IV, HEA academic year.

Reasons: Under the proposed regulations, a TEACH Grant-eligible program's Title IV, HEA academic year based on both weeks of instructional time and credit or clock hours is integral to determining the payment formula applicable to the program as well as the calculation of payments under the appropriate payment formula based on a student's enrollment status. While a Title IV, HEA academic year for an undergraduate TEACH Grant-eligible program, including a post-baccalaureate program, would be defined based on both weeks of instructional time and credit or clock hours under 34 CFR 668.3, a Title IV, HEA academic year for a graduate TEACH Grant-eligible program, such as a master's degree program, would be defined under 34 CFR 668.3 based only on weeks of instructional time. Proposed § 686.22(h)(2) would, therefore, add a credit or clock hour measure to the Title IV, HEA academic year of a master's degree program for purposes of calculating a payment for a payment period under proposed §§ 686.22 or 686.25, as applicable, to implement the provisions of these sections for a TEACH Grant-eligible master's degree program.

Calculation of a Grant for a Payment Period From Two Scheduled Awards (§ 686.22(i))

Statute: The HEA does not address payments from two Scheduled Awards.

Proposed Regulations: Under § 686.22(i) of the proposed regulations, if a student is completing the remaining portion of a Scheduled Award in a payment period, the student's payment would be calculated using the annual award for his or her enrollment status for the payment period. The student's payment would be the remaining amount of the Scheduled Award being completed plus an amount from the next Scheduled Award, if available, up to the total amount of the payment for the payment period.

Reason: In certain circumstances, a student may, within the same payment period, be completing his or her eligibility for the remaining balance of a Scheduled Award while also having eligibility to receive another Scheduled Award. This provision would provide guidance to institutions in calculating a student's payment for the payment period in this circumstance and would ensure that eligible students receive their awards.

Calculation of a Grant for a Payment Period That Occurs in Two Award Years (§ 686.23)

Statute: The HEA does not address a payment period that occurs in two award years.

Proposed Regulations: This section would address how an institution calculates a TEACH Grant payment for an eligible student's payment period when the student is enrolled in a payment period that overlaps two award years. These proposed regulations would generally be the same as the Federal Pell Grant program regulations. As is required in the Federal Pell Grant, ACG, and National SMART Grant programs, an institution is required to assign, at its option, a "cross-over" payment period to one of the two award years. However, it must place a payment period with more than six months scheduled in an award year within that award year.

Reason: A Federal Pell Grant Scheduled Award is available only for a specific award year. A student's TEACH Grant Scheduled Award would remain available without respect to award years until the student uses all of the Scheduled Award, and an eligible student would be able to receive more than one TEACH Grant in an award year.

Transfer Student: Attendance at More Than One Institution During an Award Year (§ 686.24)

Statute: The HEA does not address the issue of attendance at more than one institution during an award year.

Proposed Regulations: Proposed § 686.24 would specify how an institution calculates a payment for an eligible student who transfers from another postsecondary institution within the same award year. The proposed regulations would be generally similar to the corresponding provisions in 34 CFR 690.65 under the Federal Pell Grant program regulations with one exception. Proposed § 686.24(d) would provide that a student would only receive the remaining balance of the student's last Scheduled Award if the balance would be less than the amount of the payment for the payment period calculated under proposed §§ 686.22 or 686.25.

Reason: To ensure that a student who attends more than one institution in an award year does not receive an overaward, we are providing the procedures for an institution to determine the TEACH Grant payment for a payment period for a transfer student.

Determination of Eligibility for Payment (§ 686.31)

Statute: Section 420M of the HEA provides that the Secretary shall pay a grant to each TEACH Grant-eligible student who files an application and a service agreement for attendance in a TEACH Grant-eligible program and who demonstrates TEACH Grant eligibility under section 420N of the HEA.

Proposed regulations: Proposed § 686.31 would provide that, similar to the Federal Pell Grant, ACG, and National SMART Grant program regulations, an institution may pay a student a TEACH Grant only after determining that the student is an eligible student, is enrolled in a TEACH Grant-eligible program, and has completed the payment period for which he or she has received a TEACH Grant if enrolled in a credit-hour program without terms or a clock-hour program. In addition, the proposed regulations would require an institution to ensure that the student has signed a service agreement described in proposed § 686.12 and has completed relevant counseling requirements prior to paying a student.

The proposed regulations would mirror similar requirements in the Federal Pell Grant, ACG, and National SMART Grant program regulations concerning determinations that a student is not maintaining satisfactory academic progress or the necessary GPA for a TEACH Grant or is not pursuing a career in teaching. In addition, similar to the ACG and National SMART Grant program regulations, the proposed regulations would allow an institution to make one disbursement for a payment period to an otherwise eligible student if the student's final high school GPA is not yet available or if the student's cumulative GPA through the prior payment period is not yet available and the institution assumes the liability for any overpayment if the student fails to meet the required GPA to receive that disbursement.

Reasons: The Secretary believes that it is important to ensure that the student has completed the relevant counseling requirements and has signed the service agreement prior to receiving a TEACH Grant. In addition, as with the case of the Federal Pell Grant, ACG, and National SMART Grant programs, the proposed regulations would specify how to handle situations in which the student is not maintaining satisfactory progress or the required GPA or is not pursuing a career in teaching and allow institutions flexibility to make one disbursement for a payment period when the relevant GPA for a student is

not yet available. The proposed regulations for this section would follow the corresponding Federal Pell Grant, ACG, and National SMART Grant program regulations in 34 CFR 690.75 and 691.75.

Counseling Requirements (§ 686.32)

Statute: The HEA does not address student counseling issues related to the TEACH Grant program.

Proposed Regulations: Proposed § 686.32 would require institutions to ensure that each TEACH Grant recipient receives counseling prior to each grant disbursement as well as prior to leaving the institution. Counseling requirements are broken into three sections: Initial counseling, Subsequent counseling, and Exit counseling.

Institutions would be required to provide initial counseling in person, by audiovisual presentation, or by interactive electronic means, prior to the first disbursement of a TEACH Grant. Additionally, schools would be required to ensure that an individual with expertise in Title IV, HEA programs is available to students shortly after the initial counseling session to answer questions. Initial counseling would include information about: The terms and conditions of a TEACH Grant service agreement; how to access information about low-income schools and documented high-need fields; the opportunity to request a service obligation suspension; conditions that could preclude the student from completing the service obligation attached to a TEACH Grant; conversion of a grant to a Federal Direct Unsubsidized Loan; and the rights and responsibilities that apply to any grant recipient whose TEACH Grant converts to a loan. Initial counseling would also notify students that in order to receive credit for teaching service the field in which they teach must be a high-need field at that time and in the State where the recipient begins teaching that subject.

If a student receives more than one TEACH Grant, he or she would be required to complete subsequent counseling prior to any additional grant disbursements. Similar to initial counseling, institutions would be able to provide counseling for subsequent disbursements in person, by audiovisual presentation, or by interactive electronic means and would be required to have an expert in Title IV, HEA programs available to answer questions shortly after counseling occurs. Subsequent counseling would coincide with the student's renewal of the annual service agreement. The information that would be provided by subsequent counseling

would not be as comprehensive as the information required in initial counseling. Students would be reminded of: The terms and conditions of a TEACH Grant service agreement; the consequences of not completing the service obligation; and the responsibility to repay any grant amount, plus interest, that is converted to a loan.

Institutions would also be required to ensure that TEACH Grant recipients receive exit counseling prior to leaving the institution. Counseling would be required to be provided in person, by audiovisual presentation, or by interactive electronic means and institutions would need to ensure that an expert in Title IV, HEA programs is available shortly after the exit counseling to answer any questions. If a student withdraws from the institution without an institution's knowledge or is no longer enrolled in a TEACH Grant-eligible program and fails to complete exit counseling, the institution is required to provide exit counseling within 30 days after the date that the institution learned that the student withdrew or that the student is no longer enrolled in a TEACH Grant-eligible program.

The information provided to students during exit counseling would be similar to the information that students receive during initial and subsequent counseling. However, exit counseling would also remind students that they must teach as a highly-qualified teacher in a high-need field at a low-income school in order to fulfill the service obligation of the TEACH Grant. In addition, students would be reminded that they are required to submit written documentation to the Secretary on an annual basis showing that they are fulfilling their service obligation by teaching in a high-need field at a low-income school or that they intend to complete the service obligation within eight years of completing their TEACH Grant program. Furthermore exit counseling would provide TEACH Grant recipients with information about available repayment options for grants that convert to a loan as well as information about loan deferments, discharges, default, how to view student aid information in the National Student Loan Data System (NSLDS), and how to contact the Secretary.

Reasons: Sharing information with students about the TEACH Grant program and the obligations that acceptance of a TEACH Grant entails is essential. The non-Federal negotiators stressed the need to disclose as much information as possible to students in a clear and concise manner on an on-

going basis. In addition to sending quarterly interest statements to students and requiring that recipients complete an annual service agreement to re-affirm their consent, the Department proposed annual in-person counseling sessions prior to grant disbursements. The non-Federal negotiators agreed that counseling students is important; however, some negotiators argued that requiring institutions to perform in-person counseling with each TEACH Grant recipient prior to each grant disbursement would not only be burdensome, but could also delay disbursements. Additionally, many non-Federal negotiators argued that there is little proof that in-person counseling is more effective than interactive electronic counseling and cited several personal accounts where students who participated in in-person, group counseling sessions did not pay attention to the presenter. In response to these concerns, the Department proposed revised language that would allow institutions to provide counseling in-person, by audiovisual presentation, or by interactive electronic means with the stipulation that institutions must ensure that an expert on Title IV, HEA programs is available shortly after the counseling session to answer any questions.

The non-Federal negotiators raised another concern about the amount of counseling that the TEACH Grant program requires. Some argued that requiring counseling annually is too much and goes above and beyond what is necessary. Others noted that annual counseling is acceptable, but only if the counseling could be completed electronically. In response to these concerns, the Department clarified the proposed regulations and added language to indicate that subsequent counseling could be provided in an interactive electronic format or as an audiovisual presentation.

Additionally, one negotiator recommended that the Department consider creating an online interactive counseling program that would be completed when the student completes the annual service agreement. The Department intends to create an interactive electronic counseling program that will be connected to the annual renewal of the service agreement, though this program will not be available in the first year of the TEACH Grant program. Institutions would be required to provide counseling until the Department notifies schools that an interactive online program has been included as part of the renewal of the service agreement.

The non-Federal negotiators were also concerned about the information that would be required in each counseling session. Several non-Federal negotiators asked the Department to add a requirement that institutions convey specific information to students to notify them of the various conditions that could preclude them from completing the service obligation. Some non-Federal negotiators also asked the Department to require institutions to provide information to students about how to find low-income schools and high-need fields in initial counseling as well as in exit counseling. In addition, non-Federal negotiators asked the Department to clarify that if a student chooses to study a field that is removed from the high-need field list before the grant recipient begins teaching, that subject area is no longer a high-need field and thus the recipient may not be able to use this teaching in this field to fulfill the service obligation. The Department added specific language to the initial and exit counseling sections to address these concerns and reminded the non-Federal negotiators that institutions will be able to direct students to the Nationwide List that is published annually and available on the Department's Web site. Also, § 686.32(b) of the proposed regulations would delineate the particular requirements for subsequent counseling sessions, which are less comprehensive than the initial and exit counseling session.

The counseling requirement is an institutional responsibility. As such, the Department encourages institutions to establish collaborative working relationships between their financial aid office and the entity that would be most knowledgeable about teaching requirements for TEACH Grant recipients. For instance, several non-Federal negotiators recommended that an institution's college of education or teacher preparation program work closely with the financial aid office to ensure that students receive the best information available about financial aid as well as about academic requirements, teaching opportunities, and teacher certification.

Frequency of Payment (§ 686.33)

Statute: The HEA does not address this issue.

Proposed regulations: Proposed § 686.33 would provide that, similar to the Federal Pell Grant, ACG, and National SMART Grant program regulations, an institution may pay a student a TEACH Grant at such times and in such installments that best meet the student's needs. In addition, under this proposed section, the institution

could pay the student in a lump sum for all prior payment periods for which the student was eligible and would have to determine the amount of the payment based on the student's enrollment status according to the work completed by the student for the payment period. To be eligible to receive a lump sum payment for prior payment periods, the student would have had to meet the eligibility criteria in proposed § 686.11 for the prior payment period with the exception that the student would not have needed to sign the service agreement during that payment period. However, the student would need to sign a service agreement prior to receiving a disbursement as described in proposed § 686.31.

Reason: As is the case with the Federal Pell Grant, ACG, and National SMART Grant programs, an institution should have the flexibility to determine the timing and the amounts of any installments of a student's TEACH Grant to best meet the needs of the student. Also, consistent with the Federal Pell Grant, ACG, and National SMART Grant programs, the institution should have the discretion to pay a student in a lump sum for all prior payment periods for which the student was eligible based on the coursework the student completed for the payment period.

Institutional Reporting Requirements (§ 686.37)

Statute: The HEA does not address the issue of institutional reporting requirements in the TEACH Grant program.

Proposed Regulations: Proposed § 686.37 would require institutions to provide the Secretary with information pertaining to a student's eligibility to receive a TEACH Grant, the student's TEACH grant amounts, and the actual disbursement dates and amounts of the grants. This proposed section would also establish a submission timeline for institutions.

Reasons: The proposed regulations would require institutions to submit eligibility and disbursement data to the Secretary because the Department intends to contact TEACH Grant recipients on a quarterly basis by sending interest statements and to collect annual service agreements. To make this process work, the Department would need eligibility and disbursement information.

Documenting the Service Obligation (§ 686.40)

Statute: Section 420N(b)(1)(D) of the HEA requires that a TEACH Grant recipient must, upon completion of each of the four required elementary or

secondary academic years of teaching service, provide evidence of that teaching service in the form of a certification by the chief administrative officer of the school in which the grant recipient is teaching.

Proposed Regulations: Proposed regulations in § 686.40(a) would provide that a TEACH Grant recipient must confirm to the Secretary in writing that he or she has either begun employment as a full-time teacher in accordance with the terms and conditions of the service agreement, or that he or she is not yet employed as a full-time teacher, but intends to meet the terms and conditions of the service agreement.

Proposed regulations in § 686.40(b) would require that, if a grant recipient has begun full-time teaching service in accordance with the service agreement, he or she must provide documentation of that service to the Secretary on an approved form certified by the chief administrative officer of the school in which the grant recipient is teaching. The documentation required under this proposed section would need to show that the grant recipient is teaching in a high-need field in the majority of classes taught during each elementary or secondary academic year in a low-income school as a highly-qualified teacher.

In addition to addressing documentation requirements for creditable service performed by the grant recipient, proposed § 686.40(b) would provide that if the school at which the grant recipient is employed meets the requirements of a low-income school in the first year of the grant recipient's four academic years of teaching but fails to meet those requirements in subsequent years, the subsequent years of teaching would count toward fulfillment of the service agreement. Similarly, proposed § 686.40(c)(2) would provide that if a grant recipient begins teaching in a high-need field listed in the Nationwide List and in subsequent years the high-need field is no longer designated as such, the subsequent years of teaching in that field would count toward the service agreement.

Proposed § 686.40(e) would provide that if a grant recipient is able to complete only one-half of an elementary or secondary academic year because of a condition covered under the Family and Medical Leave Act of 1993 (FMLA) for a qualifying serious health condition or exigency, or because of a call to military service, either as a reserve of the Armed Forces or a member of the National Guard, that half year is counted as a complete year for purposes of completing the service agreement as

long as the grant recipient's school employer considers the grant recipient to have fulfilled his or her contract requirements.

Lastly, proposed § 686.40(f) would provide that a grant recipient may teach in more than one low-income school during an elementary or secondary academic year as long as the combined teaching service is the equivalent of full-time teaching.

Reasons: The purpose of proposed § 686.40 would be to implement the statutory requirements regarding the evidence a grant recipient must submit to show compliance with the terms of his or her service agreement. Proposed § 686.40(b), (c)(2), (e), and (f) would be consistent with regulations in the Title IV, HEA loan programs related to teacher loan forgiveness so that TEACH Grant recipients who may be performing teaching service to meet both their service agreement and the requirements to receive loan forgiveness have only one set of requirements.

Several of the non-Federal negotiators voiced concern that the Nationwide List that TEACH Grant recipients will use to document their teaching service may not reflect high-need field shortages at the local level. One of the non-Federal negotiators suggested that the Department specify in proposed § 686.40(c)(ii) a process whereby States would be required to consult with LEAs so that high-need field shortages at the local level are reflected. The Department declined to regulate in this area because the process currently in place under 34 CFR 682.210(q) provides for the designation of high-need fields by an LEA and because mandating such a process would be a Federal intrusion on an inherently State function.

During the negotiations, the Department suggested specifying in proposed § 686.40(e)(1) the conditions under which a grant recipient may count an academic year of teaching service if that year is interrupted by a condition that is covered under the FMLA. The non-Federal negotiators agreed. For that reason, proposed § 686.40(e)(1) would list the FMLA conditions as follows:

- The birth and subsequent care of a son or daughter.
- The adoption of a child or provision of foster care by a grant recipient.
- Caring for a spouse, child or parent of the grant recipient who has a serious health condition.
- A serious health condition that renders the grant recipient unable to meet the requirements of the service agreement.

The Department became aware after negotiations concluded that the U.S.

Department of Labor had developed new proposed regulations for the FMLA that are currently out for public comment. To ensure that the TEACH Grant regulations reflect all of the conditions covered by the FMLA, we will consult with the Department of Labor when we develop final regulations.

Periods of Suspension (§ 686.41)

Statute: The statute does not address periods of suspension of the eight-year period for completion of the TEACH Grant service obligation.

Proposed Regulations: Proposed § 686.41 would provide that a TEACH Grant recipient who has completed or otherwise ceased enrollment in a TEACH Grant-eligible program may request a suspension of the eight-year time period for completion of his or her service obligation. Proposed § 686.41(a)(1)(i) and (ii) would require that a suspension be based on enrollment in a TEACH Grant-eligible program of study or a State-approved teacher certification program, or a condition under the FMLA, respectively. Proposed § 686.41(a)(2)(i) would require that suspensions granted under these two conditions could not exceed a combined total of three years. Proposed § 686.41(a)(1)(iii) would allow a suspension to be based on a call to active duty status for members of the Armed Forces reserve or the National Guard. Proposed § 686.41(a)(2) would provide that suspensions granted because of a military call-up would be granted in one-year increments and would end upon the completion of the grant recipient's military service. Proposed § 686.41(b) would require a grant recipient to request a suspension on an approved form within six months after completing or terminating enrollment in a TEACH Grant-eligible program or within six months after the date he or she stops teaching. Lastly, proposed § 686.41(c) would require grant recipients to provide the Secretary with documentation supporting the suspension.

Reasons: Although the HEA does not explicitly provide for a suspension of the eight-year period for completion of a TEACH Grant service obligation, the Secretary is proposing regulations in § 686.41 that would provide TEACH Grant recipients with some flexibility in limited circumstances with respect to the eight-year period for completion. These limited circumstances would include enrollment in a program of study for which the recipient would be eligible for a TEACH Grant or enrollment in a program of study to obtain a certificate or license to begin

teaching. This flexibility would prevent TEACH Grant recipients who, because of State requirements, must complete an undergraduate degree and subsequently obtain the credential that actually allows them to begin teaching, from being penalized with regard to completion of their first service obligation. These limited circumstances also would include conditions covered under the FMLA and a call to military service as part of the Armed Forces reserve or the National Guard, because the Secretary believes that TEACH Grant recipients should not be placed at a disadvantage in completing their service obligations as a result of a significant family illness or situation or while defending their country in the event of a call to active service in connection with a war, military operation, or a national emergency.

The non-Federal negotiators believed that the proposed regulations in § 686.41 would not adequately address situations that could affect a TEACH Grant recipient's ability to meet the terms of his or her service obligation within eight years after completing a TEACH Grant-eligible program. Some non-Federal negotiators suggested that the Secretary should allow a TEACH Grant recipient to suspend his or her service obligation in the event of extenuating circumstances that preclude the TEACH Grant recipient from completing his or her service obligation in the required eight-year timeframe. The Secretary declined to expand the circumstances for suspension. The Secretary believes such an expansion would contradict the intent of the TEACH Grant program by delaying the entry of highly-qualified teachers into high-need fields in low-income schools where they are badly needed. The negotiating committee agreed to the language in proposed § 686.41.

As noted elsewhere in this preamble, the portion of the language related to the conditions covered by the FMLA will need to be consistent with the Department of Labor regulations.

While these regulations reflect FMLA regulations with regard to the conditions under which a TEACH Grant recipient may request a suspension, we would not require a TEACH Grant recipient to go through the certification process specified in the FMLA regulations.

Discharge of Service Agreement (§ 686.42)

Statute: The statute does not address the discharge of a service obligation if a TEACH Grant recipient dies or becomes totally and permanently disabled.

Proposed Regulations: In the case of a TEACH Grant recipient who dies, proposed § 686.42(a) would require the discharge of the grant recipient's service obligation upon receipt of an original or certified copy of the TEACH Grant recipient's death certificate, an accurate and complete photocopy of the original or certified copy of the grant recipient's death certificate, or, on a case-by-case basis, reliable information acceptable to the Secretary.

In the case of a TEACH Grant recipient who becomes totally and permanently disabled as that term is defined in 34 CFR 682.200(b), proposed § 686.42(b) would provide for a discharge of the service obligation if the TEACH Grant recipient applies for and satisfies the same eligibility requirements for a total and permanent disability discharge of a Direct Loan in 34 CFR 685.213.

Proposed § 686.42(b)(2) would provide that the eight-year time period in which the grant recipient must complete the service obligation remain in effect during the conditional discharge period described in 34 CFR 685.213(c)(2) unless the grant recipient is eligible for a suspension based on the conditions covered by the FMLA. Proposed § 686.42(b)(3) would provide that interest continues to accrue on each TEACH Grant disbursement received unless and until the grant recipient's service agreement is discharged by the Secretary. Lastly, proposed § 686.42(b)(4) and (5) would provide that if the grant recipient meets the eligibility requirements throughout the three-year conditional discharge period, the service obligation is discharged; if not, the grant recipient is once again subject to the terms of the service agreement.

Reasons: The Secretary believes that it would be appropriate to provide a discharge of a TEACH Grant recipient's service obligation in cases when the grant recipient cannot comply with his or her service agreement because of death or total and permanent disability. Although grant aid does not have to be repaid, the service agreement signed by a TEACH Grant recipient is a binding, legal document requiring the repayment of each TEACH Grant, along with interest accrued from the date of disbursement, as a Federal Direct Unsubsidized Loan if the service obligation is not met. A discharge of the service obligation for death and total and permanent disability relieves the grant recipient of a potential repayment obligation and is also consistent with the treatment of Title IV, HEA loans.

Proposed § 686.42(b) would adopt the definition of *totally and permanently*

disabled already used in the Federal Direct Loan program regulations. The definition of totally and permanently disabled (in 34 CFR 682.200(b)) is "the condition of an individual who is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death." A TEACH Grant recipient who meets this definition of *totally and permanently disabled* cannot comply with the service agreement because he or she cannot work and earn money. The Department considered proposing regulations that would have required a TEACH Grant recipient who became totally and permanently disabled to request a conversion of his or her TEACH Grants to a Federal Direct Unsubsidized Loan so that the existing process under which the Secretary grants a total and permanent disability discharge in the Direct Loan program would be available to the TEACH Grant recipient. However, non-Federal negotiators persuaded the Department to adopt a total and permanent disability discharge process that would preserve the grant status of the TEACH Grant rather than mandate the conversion of the TEACH Grant to a loan. The non-Federal negotiators felt that a TEACH Grant recipient should have the opportunity to fulfill his or her service obligation, if time remained in the eight-year period, if the TEACH Grant recipient does not receive a final total and permanent disability discharge. The non-Federal negotiators also noted that if the eight-year time period elapsed while the grant recipient was in a conditional discharge status, the TEACH Grant would convert to a loan anyway.

Obligation To Repay the Grant (§ 686.43)

Statute: Section 420N(c) of the HEA provides that if a TEACH Grant recipient fails or refuses to comply with the service obligation, the sum of the amounts of any TEACH Grants received by the recipient shall, upon a determination of such failure or refusal in such service obligation, be treated as a Federal Direct Unsubsidized Loan under part D of Title IV of the HEA, and shall be subject to repayment, together with interest thereon accruing from the date of the grant award.

Proposed Regulations: Proposed § 686.43 would require that TEACH Grant amounts be converted into a Federal Direct Unsubsidized Loan, with interest accruing from the date of each grant disbursement if—

- The grant recipient, regardless of enrollment status, requests the conversion for any reason;

- Within 120 days of ceasing enrollment in the institution prior to completing the TEACH Grant-eligible program, the grant recipient has failed to notify the Secretary in accordance with proposed § 686.40(a);

- Within one year of ceasing enrollment in the institution prior to completing a TEACH Grant-eligible program, the grant recipient has not been determined eligible for a suspension of the eight-year completion period, has not re-enrolled in a TEACH Grant-eligible program, or has not begun creditable teaching service to meet his or her service agreement;

- The grant recipient completes the course of study for which a TEACH Grant was received and does not actively confirm to the Secretary, at least annually, his or her intention to satisfy the service agreement; or

- The grant recipient completed a TEACH Grant-eligible program but failed to begin or maintain teaching service in accordance with the Service Agreement within the timeframe that would allow that individual to complete the service obligation within the eight-year completion period.

Under proposed § 686.43(b), a TEACH Grant that converts to a Federal Direct Unsubsidized Loan would not be counted against the grant recipient's annual or aggregate Stafford Loan limits.

Under proposed § 686.43(c), a grant recipient whose TEACH Grant has been converted to a Federal Direct Unsubsidized Loan would enter repayment immediately, would be eligible for all of the benefits of the Direct Loan Program, and would not be eligible for any grace period.

Finally, proposed § 686.43(d) would provide that once a TEACH Grant is converted to a loan, it cannot be reconverted to a grant.

Reasons: The purpose of proposed § 686.43 would be to implement the statutory directive that a TEACH Grant converts to a Federal Direct Unsubsidized Loan if the grant recipient fails or refuses to carry out the terms of his or her service agreement. Because the conversion of a TEACH Grant to a loan has the potential to subject a grant recipient to a heavy debt burden, the Secretary believes that it is essential to specify in the proposed regulations the circumstances under which a TEACH Grant would convert to a loan so that a grant recipient is aware of this essential information.

The Secretary believes that TEACH Grants that are converted to loans should not count against the grant recipient's annual or any aggregate Stafford Loan limit because, in some cases, the conversion of loans would

immediately render the grant recipient ineligible for further financial aid should annual or aggregate loan limits be exceeded as a result of the conversion of TEACH Grants. The Secretary believes such an outcome would be unfair to a grant recipient, who for reasons beyond his or her control, may be unable to comply with the service obligation. The negotiating committee agreed to the language in proposed § 686.43.

Finally, the Secretary notes that the conversion of a TEACH Grant to a loan creates a new legally-binding agreement with the TEACH grant recipient requiring repayment of the grant amounts as a Federal Direct Unsubsidized Loan. This legally-binding agreement would reflect the terms and conditions of the repayment of the loan under part D of Title IV of the HEA. There are no provisions in the promise to repay signed by the grant recipient under part D of Title IV of the HEA that would allow for the discharge and reconversion of the loan debt to a grant.

The non-Federal negotiators expressed concern that the proposed regulations would not provide for an appeal process should the grant recipient's TEACH Grants be converted to a Federal Direct Unsubsidized Loan by mistake or through some omission or error on the part of either the Secretary or the grant recipient. The Secretary did not agree that an appeals process was necessary and instead agreed to provide a reference in the counseling requirements in proposed § 686.32 to the Student Loan Ombudsman as an alternative resource should the conversion be contested by the grant recipient.

Conforming Amendments (34 CFR Parts 668, 673, 674, 675, 676, 682, 685, and 690)

Statute: The HEA, as amended by the CCRAA, does not specifically address the need for conforming amendments to the Department's regulations to reflect the implementation of the TEACH Grant program.

Proposed Regulations: The Department would propose conforming amendments to the regulations in 34 CFR parts 668, 673, 674, 675, 676, 682, 685, and 690 to consistently reference and implement the new proposed TEACH Grant program.

Reasons: These proposed conforming amendments to 34 CFR parts 668, 673, 674, 675, 676, 682, 685, and 690 are needed to consistently reference and implement the TEACH Grant program in all applicable regulations of the Department. These conforming

amendments were discussed with and received consensus from the negotiating committee.

Executive Order 12866

Regulatory Impact Analysis

Under Executive Order 12866, the Secretary must determine whether this regulatory action is "significant" and therefore subject to the requirements of the Executive order and subject to review by the OMB. Section 3(f) of Executive Order 12866 defines a "significant regulatory action" as an action likely to result in a rule that may (1) have an annual effect on the economy of \$100 million or more, or adversely affect a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local or tribal governments or communities in a material way (also referred to as an "economically significant" rule); (2) create serious inconsistency or otherwise interfere with an action taken or planned by another agency; (3) materially alter the budgetary impacts of entitlement grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (4) raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in the Executive order.

Pursuant to the terms of the Executive order, it has been determined that this regulatory action will have an annual effect on the economy of more than \$100 million. Therefore, this action is "economically significant" and subject to OMB review under section 3(f)(1) of Executive Order 12866. Accordingly, the Secretary has assessed potential costs and benefits of this regulatory action and has determined the benefits justify the costs.

Need for Federal Regulatory Action

These proposed regulations are needed to implement provisions of the HEA, as amended by the CCRAA, that established the TEACH Grant program. The Secretary has limited discretion in implementing the new TEACH Grant program; these proposed regulations also modify the Department's existing regulations to reflect statutory changes made by the CCRAA.

The Secretary has exercised limited discretion in implementing the CCRAA provisions in the following areas:

- *Definition of elementary and secondary academic year:* The CCRAA provides that a grant recipient must serve as a full-time teacher for a total of not less than four academic years within eight years after completing the program of study for which he or she received a TEACH Grant.

- *TEACH Grant-eligible institution:* The CCRAA provides that an eligible institution for purposes of the TEACH Grant program must be an institution of higher education as defined in section 102 of the HEA that is financially responsible and that provides: high-quality teacher preparation and professional development services, including extensive clinical experience as part of pre-service preparation; pedagogical coursework, or assistance in the provision of such coursework; and supervision and support services to teachers, or assistance in the provision of such services, or that provides a post-baccalaureate program of instruction.

- *Calculation of Grade-Point Average for Transfer Students:* The CCRAA requires students to have a grade-point average of 3.25 on a 4.0 scale to be eligible to receive a TEACH Grant; and

- *Counseling:* The CCRAA requires schools to provide counseling at a number of points to provide participating students with information on the program and, in particular, to underscore the student's responsibilities in the event the program's service requirements are not fulfilled.

- *Discharge of Service Agreement:* The CCRAA does not address the discharge of a service obligation if a TEACH Grant recipient dies or becomes totally and permanently disabled.

The following section addresses the alternatives that the Secretary considered in implementing these discretionary portions of the CCRAA provisions. These alternatives are also discussed in the *Reasons* sections of this preamble related to the specific regulatory provisions.

Regulatory Alternatives Considered

Definition of elementary and secondary academic year: The Department chose to define an academic year for elementary and secondary schools as one complete school year or two complete and consecutive half-years from different school years, excluding summer sessions, that generally fall within a 12-month period. If a school has a year-round program of instruction, the Secretary would consider a minimum of nine consecutive months to be the equivalent of an academic year.

As discussed in more detail in the *Reasons* section for this provision, several non-Federal negotiators suggested removing the word "consecutive" from the definition and eliminating the exclusion of summer sessions. The Secretary considered these alternatives but decided against making the changes to maintain consistency with other similar definitions under the

HEA and avoid allowing recipients to complete the four-year service obligation in less than four years, which would be contrary to the TEACH Grant provisions in the statute. None of these alternatives were estimated to affect Federal cost or burden estimates.

TEACH Grant-eligible institution: In developing regulations related to the statutory institutional eligibility requirements established in the CCRAA, the Department and the non-Federal negotiators established a number of pathways for students to acquire the education and knowledge needed to serve as highly-qualified teachers in high-need fields. As discussed in more detail in the *Reasons* section for this provision, these pathways include completion of a baccalaureate or master's degree teacher preparation program; completion of a baccalaureate program at one institution and a master's level teacher preparation program at another institution or a post-baccalaureate program at an institution that does not offer a teacher preparation program; and completion of a baccalaureate program at one institution after transferring from a two-year institution offering a program acceptable for full credit toward a baccalaureate degree.

These pathways are consistent with the purpose of the TEACH Grant program and with program cost estimates developed by the Administration at the time of the passage of the CCRAA.

Calculation of Grade-Point Average for Transfer Students: Section 420N(a)(2)(A)(ii)(I) of the HEA provides that an undergraduate, post-baccalaureate or graduate student's eligibility for a TEACH Grant may be based on the student maintaining a cumulative GPA of at least 3.25 on a 4.0 scale.

The Department initially considered proposed regulations under which a transfer student could meet the GPA requirement to receive a TEACH Grant for his or her first payment period at the institution to which the student has transferred by calculating the student's transfer GPA using the methodology already in use by institutions to determine a transfer student's GPA for the National SMART Grant program. Under the National SMART Grant program, institutions incorporate transfer grades from coursework accepted by the new institution for the SMART Grant-eligible program.

Upon consideration and discussion with negotiators, the Secretary believes allowing the new institution to use grades assigned to coursework accepted by the new institution for initial GPA

calculation purposes for that transfer student instead of using grades assigned only to coursework accepted into the TEACH Grant-eligible program would decrease the burden on institutions and students because institutions will not have to take the extra step of determining which of the transferred courses will actually apply to the TEACH Grant-eligible program at the time of the student's admission. The proposed regulations have been revised accordingly to reflect this approach. While the Department and non-Federal negotiators agreed on the efficacy of this approach based on anecdotal information, the Department lacks the detailed data to quantify the reduced burden associated with this policy choice. Accordingly, we are particularly interested in receiving comments and accompanying data that would facilitate the development of a more definitive assessment.

Counseling: The Department and negotiators strongly agreed on the need for students to be fully informed about the TEACH Grant program and the obligations acceptance of a TEACH Grant entails. In considering the most effective approach to provide students with clear, concise information on a regular basis, the Department initially proposed annual in-person counseling sessions prior to grant disbursements.

When this issue was discussed during negotiated rule-making sessions, non-Federal negotiators pointed out that the Department's proposed approach imposed significant burdens on both the student and institution—including possibly delaying grant disbursements—while there is no evidence that in-person counseling is more effective than interactive electronic counseling. After consideration and further discussion, the group developed a consensus position under which institutions must provide initial, subsequent, and exit counseling, but have the option of providing in-person, audiovisual, or interactive electronic counseling, with the stipulation that institutions must ensure an expert on Title IV, HEA programs is available shortly after the counseling session to answer any questions. This is consistent with the requirements in the FFEL and Direct Student Loan programs.

The Department and non-Federal negotiators agreed on the efficacy of this approach based on anecdotal information, as the Department lacks the detailed data in this area. Accordingly, we are particularly interested in receiving comments and accompanying data that would facilitate the development of a more definitive

assessment of reduced burden associated with this policy choice.

Discharge of a Service Agreement: Although the HEA is silent on this issue, as discussed in the *Reasons* section for this provision, the Department chose to provide a discharge of a TEACH Grant recipient's service obligation in cases when the grant recipient cannot comply with his or her service agreement because of death or total and permanent disability. Providing such discharge is consistent with the treatment of Title IV, HEA loans, so there is no additional Federal cost associated with this provision.

Other Areas: In addition to these specific issues, there were a number of areas, such as institutional participation, payment from more than one institution, correspondence courses, calculation of a grant, where the Department chose to base TEACH Grant requirements on existing regulations and processes for the Pell Grant program or other Federal student aid programs. (See appropriate *Reasons* sections for a more detailed discussion.) While other approaches were considered in some of these areas, this approach ensures consistency, facilitates program implementation, and avoids burden associated with the development of new requirements, systems, or processes. It was widely supported by both Federal and non-Federal negotiators and quickly adopted.

Amount of TEACH Grants Awarded

The Department estimates that the TEACH Grant program will provide \$86 million in aid to 31,000 students in 2008, its first year of operation, with an average award of \$2,800. (The average award reflects expected reductions in the \$4,000 maximum award due to part-time attendance and cost of attendance restrictions.) Amounts awarded and recipients are expected to increase over time, rising to \$143 million and 51,000 respectively by 2011. Total aid awarded over 2008–2012 is estimated at \$615 million.

Demand for TEACH Grants was estimated based on the number of students teaching in one of the eligible fields within 10 years of college graduation who had a Grade Point Average of 3.25 or higher and who borrowed a Federal loan. This figure was adjusted upward to reflect similar students who did not complete their degree. Each student was estimated to receive two TEACH Grant awards prior to leaving school. Stafford loan borrowers take out a median of three loans prior to graduation but this number was lowered because we anticipate TEACH Grant recipients

delaying their award decision until their career plans are further developed. The above estimates were then adjusted downward for school years 2008–09 through 2010–11 to reflect lower demand for the program in the first years of implementation. Steady state is expected to be reached by the 2011–12 school year.

As these estimates show, the TEACH Grant program implemented by these proposed regulations would offer an extremely significant incentive to help address longstanding national and regional elementary and secondary school staffing problems. Many studies (Boe, Bobbitt, & Cook, 1997; Grissmer & Kirby, 1992; Murnane *et al.*, 1991; Rumberger, 1987 and extensive research prepared for the National Commission on Mathematics and Science Teaching) have found math, science, and special education to be fields with especially high turnover and those predicted most likely to suffer shortages. More broadly, research indicates that rural and urban high-poverty schools face a particular challenge in recruiting and retaining highly-qualified teachers, especially in high-need subjects. There is little definitive data indicating the efficacy of other Federal initiatives, such as student loan forgiveness, intended to address this issue. This may be because the benefit is greatly deferred (loans are generally not forgiven until after up to five years of qualifying service) or because the benefit itself is not sufficient to outweigh other factors such as job dissatisfaction or better-paying opportunities in other fields or areas. Unlike these other programs, however, TEACH Grants offer both a large upfront incentive—up to \$16,000 in grant aid—to encourage teaching in these subjects and schools and a significant disincentive—the requirement to repay these grants, with interest, if the service obligations are not fulfilled. Accordingly, the program should offer a powerful incentive for recruitment and retention, especially given the additional eligibility requirement that recipients teach for four years to maintain the benefit.

In general, the Department believes the benefits provided under these proposed regulations through increased student aid and additional incentives to address teacher shortages would outweigh the relatively small additional burdens discussed in the following section. This belief is strongly supported by the fact that the negotiated rulemaking committee reached consensus on the proposed regulations. Nonetheless, the Department is interested in comments on possible

administrative burdens related to the proposed regulations.

Net Budget Impacts

The TEACH Grant program is estimated to have a net budget impact of \$7 million in 2008 and \$74 million over FY 2008–2012. For budget, financial management, and cost estimation purposes, TEACH Grants will be operated as a loan program with 100 percent forgiveness of outstanding principal and interest upon completion of a student's service requirement. Consistent with the requirements of the Credit Reform Act of 1990, budget cost estimates for this program reflect the estimated net present value of all future non-administrative Federal costs associated with awards made in a given fiscal year.

These estimates were developed using the Office of Management and Budget's Credit Subsidy Calculator. (This calculator will also be used for re-estimates of prior-year costs, which will be performed each year beginning in FY 2009). The OMB calculator takes projected future cash flows from the Department's student loan cost estimation model and produces discounted subsidy rates reflecting the net present value of all future Federal costs associated with awards made in a given fiscal year. Values are calculated using a "basket of zeros" methodology under which each cash flow is discounted using the interest rate of a zero-coupon Treasury bond with the same maturity as that cash flow. To ensure comparability across programs, this methodology is incorporated into the calculator and used government-wide to develop estimates of the Federal cost of credit programs. Accordingly, the Department believes it is the appropriate methodology to pursue in developing estimates for this regulations. That said, however, in developing the Accounting Statement included below, the Department consulted with OMB on how to integrate our discounting methodology with the discounting methodology traditionally used in developing regulatory impact analyses.

Absent evidence on the impact of TEACH Grants on student behavior, budget cost estimates were based on behavior as reflected in various longitudinal surveys listed under Assumptions, Limitations, and Data Sources. As discussed elsewhere in this preamble, program cost estimates reflect data on recent college graduates entering eligible teaching fields, adjusted for the percentage of students who graduate, maintain a 3.25 grade-point-average and take out a Federal

loan. (In the absence of any need-based eligibility criteria, Federal borrowing was used as a proxy for unmet financial need.) Data from longitudinal studies were used to estimate the percentage of recipients who graduated from college, were highly qualified, and taught in high poverty schools for four out of the eight years following graduation. Based on this data, the Department assumed 80 percent of recipients will eventually fail to fulfill their service requirements and have their grants converted into Federal Direct Unsubsidized Stafford Loans.

Program cost estimates were generated by running projected grant disbursements through the Department's student loan cost estimation model with no repayments for the 20 percent of recipients expected to fulfill their service requirement. For those recipients expected not to fulfill their service requirements, repayment was assumed to be similar to Federal Direct Unsubsidized Stafford Loans with two exceptions: the distribution of awards across risk category and the time before a loan enters repayment.

Student loan cost estimates are normally developed across five risk categories: proprietary schools, two-year schools, freshmen/sophomores at four-year schools, juniors/seniors at four-year schools, and graduate students. Risk categories have separate assumptions based on the historical pattern of behavior—for example, the likelihood of default or the likelihood to use statutory deferment or discharge benefits—of borrowers in each category. In estimating TEACH Grant costs, disbursements were limited to three risk groups, with 20 percent of volume estimated to be for four-year freshman and sophomores, 60 percent for four-year juniors and seniors, and 20 percent for graduate students.

In addition, the time to enter repayment was significantly lengthened for TEACH Grants converting to loans. This reflects the fact that many grants will not become loans until at least five years after college graduation, when it becomes clear that the service requirement will not be met.

Because entities that would be affected by these proposed regulations already participate in the Title IV, HEA programs, participating schools would have already established systems and procedures in place to meet program eligibility requirements. To the extent possible, existing processes, procedures, and systems for other Federal student aid programs have been used as the basis for the TEACH Grant program. These proposed regulations generally would require a relatively small number

of discrete changes in specific parameters associated with existing guidance—such as changes in entrance and exit counseling, or the need to track student grade-point average—rather than wholly new requirements. Accordingly, institutions wishing to continue to participate in the student aid programs have already absorbed most of the administrative costs related to implementing these regulations. Marginal costs over this baseline are primarily related to one-time changes in areas such as counseling materials; the Department has no data to indicate such changes would impose significant additional costs. There was little indication by negotiators that these requirements were seen as excessively burdensome. The Department is particularly interested, however, in comments on possible administrative burdens related to this or other proposed regulatory requirements.

Assumptions, Limitations, and Data Sources

Because these proposed regulations would largely restate statutory requirements that would be self-implementing in the absence of regulatory action, impact estimates provided in the preceding section reflect a pre-statutory baseline in which the CCRAA and other statutory changes implemented in these proposed regulations do not exist. Costs have been quantified for five years.

In developing these estimates, a wide range of data sources were used, including the National Student Loan Data System, operational and financial data from Department of Education systems, and data from a range of surveys conducted by the National Center for Education Statistics such as the Baccalaureate and Beyond, Schools and Staffing, and the 1996 Beginning Postsecondary Student surveys.

Elsewhere in this **SUPPLEMENTARY INFORMATION** section we identify and explain burdens specifically associated with information collection requirements. See the heading *Paperwork Reduction Act of 1995*.

Accounting Statement

As required by OMB Circular A-4 (available at <http://www.whitehouse.gov/omb/Circulars/a004/a-4.pdf>), in Table 2 below, we have prepared an accounting statement showing the classification of the expenditures associated with the provisions of these proposed regulations. This table provides our best estimate of the changes in Federal student aid payments as a result of these proposed regulations. Expenditures are

classified as transfers to postsecondary students.

TABLE 2.—ACCOUNTING STATEMENT: CLASSIFICATION OF ESTIMATED EXPENDITURES

[In millions]	
Category	Transfers
Annualized Monetized Transfers From Whom to Whom?	\$17 Federal Government to Postsecondary Students.

2. Clarity of the Regulations

Executive Order 12866 and the Presidential memorandum on “Plain Language in Government Writing” require each agency to write regulations that are easy to understand.

The Secretary invites comments on how to make these proposed regulations easier to understand, including answers to questions such as the following:

- Are the requirements in the proposed regulations clearly stated?
- Do the proposed regulations contain technical terms or other wording that interferes with their clarity?
- Does the format of the proposed regulations (grouping and order of sections, use of headings, paragraphing, etc.) aid or reduce their clarity?
- Would the proposed regulations be easier to understand if we divided them into more (but shorter) sections? (A “section” is preceded by the symbol “§” and a numbered heading; for example, § 686.32.)
- Could the description of the proposed regulations in the **SUPPLEMENTARY INFORMATION** section of this preamble be more helpful in making the proposed regulations easier to understand? If so, how?
- What else could we do to make the proposed regulations easier to understand?

To send any comments that concern how the Department could make these proposed regulations easier to understand, see the instructions in the **ADDRESSES** section of this preamble.

Regulatory Flexibility Act Certification

The Secretary certifies that these proposed regulations would not have a significant economic impact on a substantial number of small entities. These proposed regulations would affect institutions of higher education and individual students and loan borrowers. The U.S. Small Business Administration Size Standards define these institutions as “small entities” if they are for-profit or nonprofit institutions with total annual revenue below \$5,000,000 or if

they are institutions controlled by governmental entities with populations below 50,000. Individuals are also not defined as “small entities” under the Regulatory Flexibility Act.

A significant percentage of the schools participating in the Federal student loan programs meet the definition of “small entities.” In general, the Department believes the benefits provided under these proposed regulations through increased Federal student aid and additional incentives to address teacher shortages would outweigh the relatively small additional burdens, including economic burdens, particularly given that institutions finding the program’s requirements onerous have the option of not participating. This belief is strongly supported by the fact that the negotiated rulemaking committee reached consensus on the proposed regulations.

The Secretary invites comments from small institutions as to whether they believe the proposed regulations would have a significant economic impact on them and, if so, requests evidence to support that belief.

Paperwork Reduction Act of 1995

Proposed 686.4, 686.10, 686.11, 686.12, 686.20, 686.32, 686.34, 686.36, 686.37, 686.38, 686.40, 686.41, 686.42 and 686.43 contain information collection requirements. Under the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)), the Department of Education has submitted a copy of these sections to the Office of Management and Budget (OMB) for its review.

Section 686.4—Institutional Participation

The proposed regulations would require an institution that ceases to participate in the TEACH Grant program or becomes ineligible to participate during an award year, to report to the Department of Education within 45 days after the effective date of the loss of eligibility. The contents of the report would include the name of each TEACH Grant eligible student; the amount of the TEACH Grant funds paid to each student for that award year; and the amount of TEACH Grant funds due each eligible student through the end of the payment period. Also, the institution would be required to provide an accounting of all TEACH Grant expenditures for that award year to the date of termination. We estimate that proposed § 686.4 would increase burden for institutions by 81 hours in OMB 1845-XXXX.

Section 686.10—Application

Under the proposed regulations, a potential grant recipient would be required to complete and submit an approved application form, as designated by the Secretary prior to the published deadline. Currently, the Free Application for Federal Student Aid (FAFSA) is the designated application form for Title IV, HEA program assistance. Because all undergraduate applicants for Title IV, HEA program assistance must complete and submit the FAFSA and most graduate students also apply for Title IV, HEA program assistance, there would be no additional burden associated with indicating one's interest in the TEACH Grant program on the designated form. Therefore, there would not be any new burden associated with this provision in the proposed regulations.

Section 686.11—Eligibility To Receive a Grant

The proposed regulations would establish that in order to receive a TEACH Grant, an applicant would, in addition to meeting the student eligibility requirements, need to submit the designated application, sign a TEACH Grant service agreement, and enroll in a TEACH Grant-eligible institution. Under the proposed regulations, grant recipients would need to maintain a grade point average of 3.25 on a 4.0 scale during each payment period, score above the 75th percentile on at least one of a battery of nationally-normed standardized tests, or qualify as a current or retired teacher obtaining a master's degree in a TEACH Grant-eligible program. There would be several categories of grant recipients where the cumulative grade point average of 3.25 must be maintained each payment period. Those categories are:

I. During the initial payment period:

The final cumulative high school GPA for a first term undergraduate recipient—

The TEACH Grant-eligible institution would need to document the student's secondary school GPA from an LEA, an SEA or other State agency; a public or private high school; or in the case of a home schooled student, obtain documentation of the secondary school GPA from the parent or guardian.

The undergraduate cumulative GPA for either the post-baccalaureate or graduate student recipient—

The TEACH Grant-eligible institution would need to document the student's undergraduate school cumulative GPA.

The transfer student cumulative GPA, as determined by the current TEACH Grant-eligible institution—

The TEACH eligible institution would need to document the student's cumulative GPA based upon the method established by the institution to accept coursework completed from any prior postsecondary institution that it accepts.

II. During payment periods:

The cumulative GPA would be based on courses taken at the TEACH Grant-eligible institution through the most-recently completed payment period, or

III. Alternatives to the cumulative GPA:

Scoring above the 75th percentile of at least one of the battery of tests from a nationally-normed standardized test, or

The grant recipient is currently a teacher or retiree who is applying for a TEACH Grant to obtain a master's degree in a TEACH Grant-eligible program. We estimate that the proposed regulation would increase burden for individuals and institutions by 77,263 hours in OMB 1845–XXXX.

Section 686.12—Service Agreement

Under the proposed regulations, a student would be required to sign a service agreement before receiving a TEACH Grant. The service agreement would require the student to fulfill a service obligation for each program for which the student received a TEACH Grant. The service agreement would explain the terms of the service obligation and would provide that if a TEACH Grant recipient does not fulfill the service obligation or otherwise does not meet the requirements of 34 CFR part 686, any TEACH Grant the student received will be converted to a Federal Direct Unsubsidized Loan that the student must repay in full to the Secretary, with interest.

The burden associated with the service agreement would be reported under a new collection. A separate 60-day **Federal Register** notice will be published to solicit comment on the service agreement once it is developed.

Section 686.20—Submission Process and Deadline for a SAR or ISIR

The proposed regulations would require participating institutions who disburse TEACH Grant funds to students to electronically transmit data as required by the Secretary. The burden associated with the collection and transmission of the required data would be assessed and attributed in 34 CFR 686.37. Therefore, there would be no burden associated with proposed § 686.20.

Section 686.32—Counseling Requirements

The proposed regulations would require an institution to provide initial,

subsequent, and exit counseling to each TEACH Grant recipient. The initial counseling would be required prior to making the first disbursement of the grant. Initial counseling would need to include, but not be limited to explaining the terms and conditions of the TEACH Grant service agreement; providing information on how to identify low-income schools and documented high need fields; informing grant recipients of the possibility of a suspension of the eight-year period for completion of the service agreement; and describing the conditions under which a suspension may be granted. Subsequent counseling, which would be required to occur prior to the first disbursement of a TEACH Grant in a subsequent award year, would need to include, but not be limited to reviewing the terms and conditions of the service agreement; and an emphasis on the fact that if the student fails or refuses to complete the service agreement, the TEACH Grant will convert into a Federal Direct Unsubsidized Loan. Under the proposed regulations, institutions would be required to provide exit counseling before the recipient ceases to attend the institution. Written exit counseling materials could be provided within 30 days after completing a study abroad program or after a student withdraws without notifying the institution. We estimate that the proposed regulations would increase burden for individuals and institutions by 390,068 hours in OMB 1845–XXXX.

Section 686.34—Liability for and Recovery of TEACH Grant Overpayments

The proposed regulations would require the institution to promptly provide written notification to a student requesting repayment of any overpayment that the institution does not have responsibility to repay. These proposed regulations also would require that the institution refer the student to the Department if the student does not take positive action to promptly resolve the TEACH Grant overpayment. We estimate that proposed § 686.34 would increase burden for individuals and institutions by 855 hours in OMB 1845–XXXX.

Section 686.36—Fiscal Control and Accounting Procedures

The proposed regulations would provide that participating institutions must account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. Further, participating institutions would be required to disburse TEACH Grant

funds consistent with the cash management regulations in 34 CFR 668.164. Participating institutions already are required to comply with these requirements for other Title IV, HEA programs and, therefore, there would be no additional burden placed upon institutions participating in the TEACH Grant program.

Section 686.37—Institutional Reporting Requirements

Under the proposed regulations, a participating institution would be required to provide the Secretary information about each TEACH Grant recipient that includes, but is not limited to, the student's eligibility for a TEACH Grant; the amounts of the TEACH Grant disbursed; the anticipated and actual disbursement dates; and the disbursement amounts of the TEACH Grants provided. The initial disbursement information would need to be submitted to the Department no later than 30 days following the initial disbursement of TEACH Grant funds. Subsequent disbursements, cancellations, and adjustments would need to be submitted to the Department within 30 days after the transaction. Participating institutions already are required to comply with these requirements for other Title IV, HEA programs and, therefore, there would be no additional burden placed upon institutions participating in the TEACH Grant program.

Section 686.38—Maintenance and Retention of Records

The proposed regulations would require participating institutions to maintain the fiscal records for the TEACH Grant program for three years after the end of the award year for which the TEACH Grant was awarded. Participating institutions already are required to comply with these requirements for other Title IV, HEA

programs and, therefore, there would be no additional burden placed upon institutions participating in the TEACH Grant program.

Section 686.40—Documenting the Service Obligation

The proposed regulations would require, except as provided in proposed § 686.40 and § 686.42, a student to confirm to the Secretary in writing, within 120-days of completing or otherwise ceasing enrollment in a program for which the student received a TEACH Grant, that he or she is employed as a full-time teacher in accordance with the TEACH Grant service agreement, or is not yet employed, but intends to meet the terms and conditions of the service agreement.

The burden associated with this notification requirement would be covered under a new collection. A separate 60-day **Federal Register** notice will be published to solicit comment on a notification form once it is developed.

Section 686.41—Periods of Suspension

The proposed regulations would provide that a TEACH Grant recipient may request a suspension of the eight-year period for completion of the TEACH Grant service agreement based on one of the conditions described in proposed § 668.41. The grant recipient would be required to apply for a suspension on a form approved by the Secretary.

The burden associated with this notification requirement would be covered under a new collection. A separate 60-day **Federal Register** notice will be published to solicit comment on a suspension request form once it is developed.

Section 686.42—Discharge of Service Agreement

Under the proposed regulations, a TEACH Grant recipient's service

obligation would be discharged if the recipient dies, or if the recipient becomes totally and permanently disabled and meets the eligibility requirements for a total and permanent disability discharge in 34 CFR 685.213.

The burden associated with the discharge of a TEACH Grant service obligation based on the grant recipient's death would be covered under OMB 1845-0021. The burden associated with the discharge of a TEACH Grant service obligation based on the grant recipient's total and permanent disability would be covered under OMB 1845-0065.

Section 686.43—Obligation To Repay the Grant

The proposed regulations would specify the conditions under which a TEACH Grant would be converted to a Federal Direct Unsubsidized Loan that the grant recipient must repay. One of these conditions is when a TEACH Grant recipient who has completed a program for which he or she received a TEACH Grant does not notify the Secretary at least annually of his or her intent to satisfy the TEACH Grant service agreement.

The burden associated with the notification requirement in proposed § 686.43 would be covered under the same new collection associated with the notification requirement in proposed § 686.40.

Consistent with the discussion in this section, the following chart describes the sections of the proposed regulations that involve information collections, the information that would be collected, and the collections the Department would submit to the Office of Management and Budget for approval and public comment under the Paperwork Reduction Act.

Regulatory section	Information collection	Collection
686.4	Institutions that cease participation in the TEACH Grant program or otherwise lose eligibility would be required to report program data to the Department within 45 days of the change in eligibility.	OMB 1845-XXXX. This would be a new collection.
686.11	A TEACH Grant recipient would be required to (a) score above the 75th percentile on a battery of a standardized nationally-normed test, (b) maintain a 3.25 cumulative GPA, or (c) currently be a teacher or retiree obtaining a master's degree in a TEACH Grant-eligible program.	OMB 1845-XXXX. This would be a new collection.

Regulatory section	Information collection	Collection
686.12	Before receiving a TEACH Grant, a student would be required to sign a service agreement. The service agreement would provide that a student must fulfill a service obligation for each program for which the student received a TEACH Grant. The service agreement would explain the terms of the service obligation and provide that if a TEACH Grant recipient does not fulfill the service obligation or otherwise does not meet the requirements of 34 CFR part 686, any TEACH Grant the student received will be converted to a Federal Direct Unsubsidized Loan that the student must repay in full to the Secretary, with interest.	OMB 1845–XXXX. This would be a new collection. A separate 60-day FEDERAL REGISTER notice will be published to solicit comment on this form once it is developed.
686.32	A participating institution would be required to provide initial, subsequent, and exit counseling for all TEACH Grant recipients.	OMB 1845–XXXX. This would be a new collection.
686.34	A participating institution would be required to provide written notice to any TEACH Grant recipient when he or she owes a TEACH Grant overpayment. Moreover, if the recipient does not take positive action to resolve the overpayment within the deadline, the institution would be required to report the overpayment to the Department.	OMB 1845–XXXX. This would be a new collection.
686.40	Except as provided in proposed §§ 686.40 and 686.42, within 120-days of completing or otherwise ceasing enrollment in a program for which the student received a TEACH Grant, the student would be required to confirm to the Secretary in writing that he or she is employed as a full-time teacher in accordance with the TEACH Grant service agreement, or is not yet employed, but intends to meet the terms and conditions of the service agreement.	OMB 1845–XXXX. This would be a new collection. A separate 60-day FEDERAL REGISTER notice will be published to solicit comment on this form once it is developed.
686.41	A TEACH Grant recipient may request a suspension of the eight-year period for completion of the TEACH Grant service agreement based on one of the conditions described in proposed § 686.41. The grant recipient would be required to apply for a suspension on a form approved by the Secretary.	OMB 1845–XXXX. This would be a new collection. A separate 60-day FEDERAL REGISTER notice will be published to solicit comment on this form once it is developed.
686.42	A TEACH Grant recipient's service obligation would be discharged if the recipient dies, or if the recipient becomes totally and permanently disabled and meets the eligibility requirements for a total and permanent disability discharge in 34 CFR 685.213.	Discharge of a TEACH Grant service obligation based on the grant recipient's death would be covered under OMB 1845–0021. Discharge of a TEACH Grant service obligation based on the grant recipient's total and permanent disability would be covered under OMB 1845–0065.
686.43	One of the conditions under which a TEACH Grant would be converted to a Federal Direct Unsubsidized Loan is if a grant recipient who has completed a program for which he or she received a TEACH Grant does not notify the Secretary at least annually of his or her intent to satisfy the TEACH Grant service agreement.	This would be covered by the same new collection as described for 686.40.

If you want to comment on the proposed information collection requirements, please send your comments to the Office of Information and Regulatory Affairs, OMB, Attention: Desk Officer for U.S. Department of Education. Send these comments by e-mail to OIRA_DOCKET@omb.eop.gov or by fax to (202) 395–6974. You may also send a copy of these comments to the Department contact named in the **ADDRESSES** section of this preamble.

We consider your comments on these proposed collections of information in—

- Deciding whether the proposed collections are necessary for the proper performance of our functions, including whether the information will have practical use;
- Evaluating the accuracy of our estimate of the burden of the proposed collections, including the validity of our methodology and assumptions;

- Enhancing the quality, usefulness, and clarity of the information we collect; and

- Minimizing the burden on those who must respond. This includes exploring the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology; e.g., permitting electronic submission of responses.

OMB is required to make a decision concerning the collections of information contained in these proposed regulations between 30 and 60 days after publication of this document in the **Federal Register**. Therefore, to ensure that OMB gives your comments full consideration, it is important that OMB receives the comments within 30 days of publication. This does not affect the deadline for your comments to us on the proposed regulations.

Intergovernmental Review

These programs are not subject to Executive Order 12372 and the regulations in 34 CFR part 79.

Assessment of Educational Impact

The Secretary particularly requests comments on whether these proposed regulations would require transmission of information that any other agency or authority of the United States gathers or makes available.

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(Catalog of Federal Domestic Assistance Numbers: 84.007 Supplemental Educational Opportunity Grants; 84.032 Federal Family Education Loan Program; 84.033 Federal Work Study; 84.038 Federal Perkins Loan Program; 84.063 Federal Pell Grants; 84.069 Leveraging Educational Assistance Partnerships; 84.268 William D. Ford Federal Direct Loan Program; 84.379 TEACH Grant Program)

List of Subjects

34 CFR Part 668

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

34 CFR Parts 673, 675 and 676

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

34 CFR Parts 674, 682 and 685

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

34 CFR Part 686

Administrative practice and procedure, Colleges and universities, Education, Elementary and secondary education, Grant programs—education, Reporting and recordkeeping requirements, Student aid.

34 CFR Part 690

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

Dated: March 11, 2008.

Margaret Spellings,

Secretary of Education.

For the reasons discussed in the preamble, the Secretary proposes to amend 34 CFR chapter VI as follows:

PART 668—STUDENT ASSISTANCE GENERAL PROVISIONS

1. The authority citation for part 668 is revised to read as follows:

Authority: 20 U.S.C. 1001, 1002, 1003, 1070g, 1085, 1088, 1091, 1092, 1094, 1099c, and 1099c–1, unless otherwise noted.

2. Section 668.1 is amended by:

A. Removing the word “and” that appears after the punctuation “;” in paragraph (c)(10).

B. Removing the punctuation “.” at the end of the paragraph (c)(11) and adding, in its place, the words “; and”.

C. Adding a new paragraph (c)(12) to read as follows:

§ 668.1 Scope.

* * * * *

(c) * * *

(12) The Teacher Education Assistance for College and Higher Education (TEACH) Grant program.

* * * * *

3. Section 668.2(b), as amended November 1, 2007 (72 FR 62024), is further amended by:

A. Adding, in alphabetical order, the definitions for “Teacher Education Assistance for College and Higher Education (TEACH) Grant program” and “TEACH Grant”.

B. Amending paragraph (2) of the definition of “Undergraduate student” by:

i. Removing the word “and” following “(ACG) Program”.

ii. Adding “, and TEACH Grant Program” after “(SMART) Grant Program”.

iii. Adding “and 686.3(a)” after “690.6(c)(5)”.

C. Revising the authority citation for the definition of “undergraduate student.”

The additions and revision read as follows:

§ 668.2 General definitions.

* * * * *

(b) * * *

Teacher Education Assistance for College and Higher Education (TEACH) Grant Program: A grant program authorized by title IV of the HEA under which grants are awarded by an institution to students who are completing, or intend to complete, coursework to begin a career in teaching and who agree to serve for not less than four years as a full-time, highly-qualified, high-need field teacher in a low-income school. If the recipient of a TEACH Grant does not complete four years of qualified teaching service within eight years of completing the course of study for which the TEACH Grant was received or otherwise fails to

meet the requirements of 34 CFR 686.12, the amount of the TEACH Grant converts into a Federal Direct Unsubsidized Loan.

(Authority: 20 U.S.C. 1070g)

TEACH Grant: A grant authorized under Title IV–A–9 of the HEA and awarded to students in exchange for prospective teaching service.

(Authority: 20 U.S.C. 1070g)

* * * * *

Undergraduate student:

* * * * *

(Authority: 20 U.S.C. 1070g)

* * * * *

§ 668.4 [Amended]

4. Section 668.4(b)(1), as amended November 1, 2007 (72 FR 62025), is further amended by removing the word “and” that appears after “FSEOG,” and adding “, and TEACH Grant” after “Perkins Loan”.

5. Section 668.8 is amended by:

A. Adding “TEACH Grant,” after “National SMART Grant,” in the heading of paragraph (h) introductory text.

B. Removing the word “and” that appears after the punctuation “;” in paragraph (h)(1).

C. Removing the punctuation “.” At the end of paragraph (h)(2) and adding, in its place, the words “; and”.

D. Adding a new paragraph (h)(3).

E. Revising the authority citation.

The addition and revision read as follows:

§ 668.8 Eligible programs.

* * * * *

(h) * * *

(3) An educational program qualifies as an eligible program for purposes of the TEACH Grant program only if the program is—

(i) A teacher preparation program or a program in a high-need field in accordance with 34 CFR 686.2(d); and

(ii) Offered by a TEACH Grant-eligible institution as defined in 34 CFR 686.2(d).

* * * * *

(Authority: 20 U.S.C. 1070a, 1070a–1, 1070b, 1070c–1, 1070c–2, 1070g, 1085, 1087aa–1087hh, 1088, 1091; 42 U.S.C. 2753)

6. Section 668.19 is amended by:

A. Removing the word “or” the first two times this word appears after the acronym “ACG,” and in each instance, adding the words “, or a TEACH Grant” after “National SMART Grant” in paragraph (a)(3).

B. Removing the word “or” the third time this word appears after the acronym “ACG,” and adding the words

“, or TEACH Grant” after the third appearance of “National SMART Grant” in paragraph (a)(3).

C. Revising the authority citation to read as follows:

§ 668.19 Financial aid history.

* * * * *

(Authority: 20 U.S.C. 1070g, 1091, 1094)

7. Section 668.21, as amended November 1, 2007 (72 FR 62027), is further amended by:

A. Adding the words “TEACH Grant,” immediately after the word “FSEOG,” in paragraph (a)(1).

B. Revising the authority citation to read as follows:

§ 668.21 Treatment of title IV grant and loan funds if the recipient does not begin attendance at the institution.

* * * * *

(Authority: 20 U.S.C. 1070g, 1094)

8. Section 668.22 is amended by:

A. Adding the words “TEACH Grant,” immediately after the words “National SMART Grant,” in paragraph (a)(2).

B. Adding a new paragraph (i)(2)(v).

C. Revising the authority citation.

The addition and revision read as follows:

§ 668.22 Treatment of title IV funds when a student withdraws.

* * * * *

(i) * * *

(2) * * *

(v) TEACH Grants.

* * * * *

(Authority: 20 U.S.C. 1070g, 1091b)

9. Section 668.24 is amended by:

A. Removing the word “or” which appears after “ACG” and adding the words “, or TEACH Grant” immediately in front of the word “Program” in the introductory text of paragraph (e)(1).

B. Revising the authority citation to read as follows:

§ 668.24 Record retention and examinations.

* * * * *

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

10. Section 668.26 is amended by:

A. Removing the word “or” the first time it appears and adding the words “, or TEACH Grant” immediately after the words “National SMART Grant” in paragraph (d)(1).

B. Removing the word “and” the first time it appears and adding the words “, and TEACH Grant” immediately after the words “National SMART Grant” in paragraph (e)(1).

C. Revising the authority citation to read as follows:

§ 668.26 End of an institution’s participation in the Title IV, HEA programs.

* * * * *

(Authority: 20 U.S.C. 1070g, 1094, 1099a-3)

11. Section 668.32 is amended by:

A. Removing the word “and” in paragraph (c)(2)(ii).

B. Adding the word “and” after the punctuation “;” in paragraph (c)(3).

C. Adding a new paragraph (c)(4).

D. Adding a new paragraph (k)(9).

E. Revising the authority citation.

The additions and revision read as follows:

§ 668.32 Student eligibility—general.

* * * * *

(c) * * *

(4) For the purposes of the TEACH Grant program—

(i) For an undergraduate student other than a student enrolled in a post-baccalaureate program, has not completed the requirements for a first baccalaureate degree; or

(ii) For the purposes of a student in a first post-baccalaureate program, has not completed the requirements for a post-baccalaureate program as described in 34 CFR 686.2(d);

* * * * *

(k) * * *

(9) 34 CFR 686.11 for the TEACH Grant program; and

* * * * *

(Authority: 20 U.S.C. 1070g, 1091; 28 U.S.C. 3201(e))

12. Section 668.35 is amended by:

A. Redesignating paragraph (g)(4) as paragraph (g)(5).

B. Adding a new paragraph (g)(4).

C. Revising the authority citation.

The addition and revision read as follows:

§ 668.35 Student debts under the HEA and to the U.S.

* * * * *

(g) * * *

(4) A student is not liable for a TEACH Grant overpayment received in an award year if—

(i) The institution can eliminate that overpayment by adjusting subsequent title IV, HEA program (other than Federal Pell Grant, ACG, National SMART Grant, or TEACH Grant) payments in that same award year; or

(ii) The institution cannot eliminate the overpayment under paragraph (g)(4)(i) of this section but can eliminate that overpayment by adjusting subsequent TEACH Grant payments in that same award year.

* * * * *

(Authority: 20 U.S.C. 1070g, 1091; 11 U.S.C. 523, 525)

13. Section 668.138 is amended by:

A. Removing the word “or” the first time it appears and adding the words “, or TEACH Grant” immediately after the words “National SMART Grant” in paragraph (a).

B. Revising the authority citation to read as follows:

§ 668.138 Liability.

* * * * *

(Authority: 20 U.S.C. 1070g, 1091, 1094)

14. Section 668.139 is amended by:

A. Adding the words “TEACH Grant,” immediately after the words “National SMART Grant,” in paragraph (c).

B. Revising the authority citation to read as follows:

§ 668.139 Recovery of payments and loan disbursements to ineligible students.

* * * * *

(Authority: 20 U.S.C. 1070g, 1091, 1094)

15. Section 668.161 is amended by:

A. Adding the words “TEACH Grant,” immediately after the words “National SMART Grant,” in paragraph (a)(3)(i).

B. Revising the authority citation to read as follows:

§ 668.161 Scope and purpose.

* * * * *

(Authority: 20 U.S.C. 1070g, 1094)

16. Section 668.162 is amended by:

A. Adding the words “TEACH Grant,” immediately after the words “National SMART Grant,” in paragraph (d)(1).

B. Revising the authority citation to read as follows:

§ 668.162 Requesting funds.

* * * * *

(Authority: 20 U.S.C. 1070g, 1094)

17. Section 668.163 is amended by:

A. Adding the words “TEACH Grant,” immediately after the words “National SMART Grant,” in paragraph (c)(2).

B. Adding the words “TEACH Grant,” immediately after the words “National SMART Grant,” in paragraph (c)(3) introductory text.

C. Adding the words “TEACH Grant,” immediately after the words “National SMART Grant,” in paragraph (c)(4).

D. Revising the authority citation to read as follows:

§ 668.163 Maintaining and accounting for funds.

* * * * *

(Authority: 20 U.S.C. 1070g, 1091, 1094)

18. Section 668.164, as amended November 1, 2007 (72 FR 62029), is further amended by:

A. Removing the word “and” after “FSEOG,” and adding the words “, and

TEACH Grant,” immediately after the words “Federal Perkins Loan,” in paragraph (g)(1)(ii) introductory text.

B. Removing the word “or” that appears after the punctuation “;” in paragraph (g)(1)(ii)(A).

C. Removing the “.” after the words “to the student” and adding in its place “; or” in paragraph (g)(1)(ii)(B).

D. Adding a new paragraph (g)(2)(ii)(C).

E. Revising the authority citation.

The addition and revision read as follows:

§ 668.164 Disbursing funds.

* * * * *

(g) * * *

(2) * * *

(ii) * * *

(C) For an award under the TEACH Grant program, the institution originates the award to the student.

* * * * *

(Authority: 20 U.S.C. 1070g, 1094)

19. Section 668.183 is amended by:

A. Removing the word “Your” the first time it appears and adding, in its place, the words “Except as provided in paragraph (b)(3) of this section, your” in paragraph (b)(1).

B. Adding a new paragraph (b)(3).

C. Revising the authority citation.

The addition and revision read as follows:

§ 668.183 Calculating and applying cohort default rates.

* * * * *

(b) * * *

(3) A TEACH Grant that has been converted to a Direct Unsubsidized loan is not considered for the purpose of calculating and applying cohort default rates.

* * * * *

(Authority: 20 U.S.C. 1070g, 1082, 1085, 1094, 1099c)

PART 673—GENERAL PROVISIONS FOR THE FEDERAL PERKINS LOAN PROGRAM, FEDERAL WORK-STUDY PROGRAM, AND FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

20. The authority citation for part 673 is revised to read as follows:

Authority: 20 U.S.C. 421–429, 1070b–1070b–3, 1070g, 1087aa–1087ii; 42 U.S.C. 2751–2756b, unless otherwise noted.

21. Section 673.5 is amended by:

A. Adding the words “TEACH Grants,” immediately after the words “the amounts of any” and by removing the word “loan” which appears after the words “if the sum of the” in paragraph (c)(2)(iii).

B. Revising the authority citation to read as follows:

§ 673.5 Overaward.

* * * * *

(Authority: 20 U.S.C. 1070b–1, 1070g, 1087dd, 1087hh; 42 U.S.C. 2753)

PART 674—FEDERAL PERKINS LOAN PROGRAM

22. The authority citation for part 674 is revised to read as follows:

Authority: 20 U.S.C. 421–429, 1070g, 1087aa–1087hh, unless otherwise noted.

23. Section 674.2 is amended by:

A. Adding, in alphabetical order, the terms “Teacher Education Assistance for College and Higher Education (TEACH) Grant Program” and “TEACH Grant” in paragraph (a).

B. Revising the authority citation to read as follows:

§ 674.2 Definitions.

* * * * *

(Authority: 20 U.S.C. 1070g, 1094)

24. Section 674.61 is amended by:

A. Adding the words “a new TEACH Grant or” immediately after the words “does not receive” in paragraph (b)(2)(ii).

B. Revising the authority citation to read as follows:

§ 674.61 Discharge for death or disability.

* * * * *

(Authority: 20 U.S.C. 425, 1070g, 1087dd; sec. 130(g)(2) of the Education Amendments of 1976, Pub. L. 94–482)

PART 675—FEDERAL WORK-STUDY PROGRAMS

25. The authority citation for part 675 is revised to read as follows:

Authority: 20 U.S.C. 1070g; 42 U.S.C. 2751–2756b; unless otherwise noted.

26. Section 675.2 is amended by:

A. Adding, in alphabetical order, the terms “Teacher Education Assistance for College and Higher Education (TEACH) Grant Program” and “TEACH Grant” in paragraph (a).

B. Revising the authority citation to read as follows:

§ 675.2 Definitions.

* * * * *

(Authority: 20 U.S.C. 1070g, 1087aa–1087ii)

PART 676—FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

27. The authority citation for part 676 continues to read as follows:

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

28. Section 676.2 is amended by:

A. Adding, in alphabetical order, the terms “Teacher Education Assistance

for College and Higher Education (TEACH) Grant Program” and “TEACH Grant” in paragraph (a).

B. Revising the authority citation to read as follows:

§ 676.2 Definitions.

* * * * *

(Authority: 20 U.S.C. 1070g, 1087aa–1087ii)

PART 682—FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM

29. The authority citation for part 682 is revised to read as follows:

Authority: 20 U.S.C. 1070g, 1071 to 1087–2, unless otherwise noted.

30. Section 682.200 is amended by:

A. Adding, in alphabetical order, the terms “Teacher Education Assistance for College and Higher Education (TEACH) Grant Program” and “TEACH Grant” in paragraph (a)(1).

B. Adding the words “TEACH Grant,” after the words “the amounts of any” and removing the word “loan” immediately following the words “if the sum of the” in paragraph (b) in paragraph (2)(i) of the definition of “Estimated financial assistance”.

31. Section 682.204 is amended by:

A. Adding paragraph (m).

B. Adding an authority citation to read as follows:

§ 682.204 Maximum loan amounts.

* * * * *

(m) Any TEACH Grants that have been converted to Direct Unsubsidized Loans are not counted against annual or any aggregate loan limits under paragraphs (c), (d), (e), and (f) of this section.

(Authority: 20 U.S.C. 1070g, 1078, 1078–2, 1078–3, 1078–8)

32. Section 682.402 is amended by:

A. Adding the words “a new TEACH Grant or” immediately after the words “does not receive” in paragraph (c)(1)(ii)(B).

B. Revising the authority citation to read as follows:

§ 682.402 Death, disability, closed school, false certification, unpaid refunds, and bankruptcy payments.

* * * * *

(Authority: 20 U.S.C. 1070g, 1078, 1078–1, 1078–2, 1078–3, 1082, 1087)

PART 685—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

33. The authority citation for part 685 is revised to read as follows:

Authority: 20 U.S.C. 1070g, 1087a *et seq.*, unless otherwise noted.

34. Section 685.102 is amended by:

A. Adding, in alphabetical order, the terms “Teacher Education Assistance

for College and Higher Education (TEACH) Grant Program” and “TEACH Grant” in paragraph (a)(1).

B. Adding the words “TEACH Grant,” after the words “the amounts of any” and removing the word “loan” immediately following the words “if the sum of the” in paragraph (b), in paragraph (2)(i) of the definition of “Estimated financial assistance”.

C. Revising the authority citation to read as follows:

§ 685.102 Definitions.

* * * * *

(Authority: 20 U.S.C. 1070g, 1087a *et seq.*)

35. Section 685.203 is amended by:

A. Adding before the “.” the words “, except that any TEACH Grants that have been converted to Direct Unsubsidized Loans are not counted against annual or any aggregate loan limits under this section” in paragraph (b).

B. Revising the authority citation to read as follows:

§ 685.203 Loan limits.

* * * * *

(Authority: 20 U.S.C. 1070g, 1087a *et seq.*)

36. Section 685.213 is amended by:

A. Adding the words “a new TEACH Grant or” immediately after the words “does not receive” in paragraph (c)(2).

B. Revising the authority citation to read as follows:

§ 685.213 Total and permanent disability discharge.

* * * * *

(Authority: 20 U.S.C. 1070g, 1087a *et seq.*)

37. A new part 686 is added to read as follows:

Subpart A—Scope, Purpose, and General Definitions

Sec.

686.1 Scope and purpose.

686.2 Definitions.

686.3 Duration of student eligibility.

686.4 Institutional participation.

686.5 Enrollment status for students taking regular and correspondence courses.

686.6 Payment from more than one institution.

Subpart B—Application Procedures

686.10 Application.

686.11 Eligibility to receive a grant.

686.12 Service agreement.

Subpart C—Determination of Awards

686.20 Submission process and deadline for a SAR or ISIR.

686.21 Calculation of a grant.

686.22 Calculation of a grant for a payment period.

686.23 Calculation of a grant for a payment period that occurs in two award years.

686.24 Transfer student: attendance at more than one institution during an award year.

686.25 Correspondence study.

Subpart D—Administration of Grant Payments

686.30 Scope.

686.31 Determination of eligibility for payment.

686.32 Counseling requirements.

686.33 Frequency of payment.

686.34 Liability for and recovery of TEACH Grant overpayments.

686.35 Re-determination of eligibility for TEACH Grant award.

686.36 Fiscal control and fund accounting procedures.

686.37 Institutional reporting requirements.

686.38 Maintenance and retention of records.

Subpart E—Service and Repayment Obligations

686.40 Documenting the service obligation.

686.41 Periods of suspension.

686.42 Discharge of service agreement.

686.43 Obligation to repay the grant.

Authority: 20 U.S.C. 1070g *et seq.*, unless otherwise noted.

Subpart A—Scope, Purpose, and General Definitions

§ 686.1 Scope and purpose.

The TEACH Grant program awards grants to students, who intend to teach, to help meet the cost of their postsecondary education. In exchange for the grant, the student must agree to serve as a full-time teacher in a high-need field, in a school serving low-income students for at least four academic years within eight years of completing the program of study for which the student received the grant. If the student does not satisfy the service obligation, the amounts of the TEACH Grants received are treated as a Federal Direct Unsubsidized Stafford Loan (Federal Direct Unsubsidized Loan) and must be repaid with interest.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.2 Definitions.

(a) Definitions for the following terms used in this part are in the regulations for Institutional Eligibility under the Higher Education Act of 1965, as amended, (HEA) 34 CFR part 600:

Award year

Clock hour

Correspondence course

Eligible institution

Institution of higher education (institution)

Regular student

Secretary

State

Title IV, HEA program

(b) Definitions for the following terms used in this part are in subpart A of the Student Assistance General Provisions, 34 CFR part 688:

Academic year

Enrolled

Expected family contribution (EFC)

Full-time student

Graduate or professional student

Half-time student

HEA

Payment period

Three-quarter-time student

Undergraduate student

William D. Ford Federal Direct Loan (Direct Loan) Program

(c) Definitions for the following terms used in this part are in 34 CFR part 77:

Local educational agency (LEA)

State educational agency (SEA)

(d) Other terms used in this part are defined as follows:

Academic year or its equivalent for elementary and secondary schools (elementary or secondary academic year):

(1) One complete school year, or two complete and consecutive half-years from different school years, excluding summer sessions, that generally fall within a 12-month period.

(2) If a school has a year-round program of instruction, the Secretary considers a minimum of nine consecutive months to be the equivalent of an academic year.

Annual award: The maximum TEACH Grant amount a student would receive for enrolling as a full-time, three-quarter-time, half-time, or less-than-half-time student and remaining in that enrollment status for a year.

Elementary school: A nonprofit institutional day or residential school, including a public elementary charter school, that provides elementary education, as determined under State law.

Full-time teacher: A teacher who meets the standard used by a State in defining full-time employment as a teacher. For an individual teaching in more than one school, the determination of full-time is based on the combination of all qualifying employment.

High-need field: Includes the following:

(1) Bilingual education and English language acquisition.

(2) Foreign language.

(3) Mathematics.

(4) Reading specialist.

(5) Science.

(6) Special education.

(7) Another field documented as high-need by the Federal Government, a State government or an LEA, and approved by the Secretary and listed in the Department's annual Teacher Shortage Area Nationwide Listing (Nationwide List) in accordance with 34 CFR 682.210(q).

Highly-qualified: Has the meaning set forth in section 9101(23) of the Elementary and Secondary Education Act of 1965 (ESEA) or in section 602(10) of the Individuals With Disabilities Education Act.

Institutional Student Information Record (ISIR): An electronic record that the Secretary transmits to an institution that includes an applicant's—

(1) Personal identification information;

(2) Application data used to calculate the applicant's EFC; and

(3) EFC.

Numeric equivalent: (1) If an otherwise eligible program measures academic performance using an alternative to standard numeric grading procedures, the institution must develop and apply an equivalency policy with a numeric scale for purposes of establishing TEACH Grant eligibility. That institution's equivalency policy must be in writing and available to students upon request and must include clear differentiations of student performance to support a determination that a student has performed at a level commensurate with at least a 3.25 GPA on a 4.0 scale in that program.

(2) A grading policy that includes only "satisfactory/unsatisfactory", "pass/fail", or other similar nonnumeric assessments qualifies as a numeric equivalent only if—

(i) The institution demonstrates that the "pass" or "satisfactory" standard has the numeric equivalent of at least a 3.25 GPA on a 4.0 scale awarded in that program, or that a student's performance for tests and assignments yielded a numeric equivalent of a 3.25 GPA on a 4.0 scale; and

(ii) For an eligible institution, the institution's equivalency policy is consistent with any other standards the institution may have developed for academic and other title IV, HEA program purposes, such as graduate school applications, scholarship eligibility, and insurance certifications, to the extent such standards distinguish among various levels of a student's academic performance.

Payment data: An electronic record that is provided to the Secretary by an institution showing student disbursement information.

Post-baccalaureate program: A program of instruction for individuals who have completed a baccalaureate degree, that—

(1) Does not lead to a graduate degree;

(2) Consists of courses required by a State in order for a student to receive a professional certification or licensing credential that is required for

employment as a teacher in an elementary school or secondary school in that State, except that it does not include any program of instruction offered by a TEACH Grant-eligible institution that offers a baccalaureate degree in education; and

(3) Is treated as an undergraduate program of study for the purposes of title IV of the HEA.

Retiree: An individual who has decided to change his or her occupation for any reason and who has expertise, as determined by the institution, in a high-need field.

Scheduled Award: The maximum amount of a TEACH Grant that a full-time student could receive for a year.

School serving low-income students (low-income school): An elementary or secondary school that—

(1) Is in the school district of an LEA that is eligible for assistance pursuant to title I of the ESEA;

(2) Has been determined by the Secretary to be a school in which more than 30 percent of the school's total enrollment is made up of children who qualify for services provided under title I of the ESEA; and

(3) Is listed in the Department's Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits. The Secretary considers all elementary and secondary schools operated by the Bureau of Indian Education (BIE) in the Department of the Interior or operated on Indian reservations by Indian tribal groups under contract or grant with the BIE to qualify as schools serving low-income students.

Secondary school: A nonprofit institutional day or residential school, including a public secondary charter school, that provides secondary education, as determined under State law, except that the term does not include any education beyond grade 12.

Service agreement: An agreement under which the individual receiving a TEACH Grant commits to meet the service obligation described in § 686.12 and to comply with notification and other provisions of the agreement.

Student Aid Report (SAR): A report provided to an applicant by the Secretary showing the amount of his or her expected family contribution.

TEACH Grant-eligible institution: An eligible institution as defined in 34 CFR part 600 that, for purposes of the TEACH Grant program, is one that meets financial responsibility standards established in 34 CFR 668, subpart L and—

(1) Provides a high-quality teacher preparation program at the

baccalaureate or master's degree level that—

(i)(A) Is accredited by a specialized accrediting agency recognized by the Secretary for the accreditation of professional teacher education programs; or

(B) Is approved by a State and includes extensive pre-service clinical experience, and provides either pedagogical coursework or assistance in the provision of such coursework; and

(ii) Provides supervision and support services to teachers, or assists in the provision of services to teachers, such as—

(A) Identifying and making available information on effective teaching skills or strategies;

(B) Identifying and making available information on effective practices in the supervision and coaching of novice teachers; and

(C) Mentoring focused on developing effective teaching skills and strategies;

(2) Provides a two-year program that—

(i) Is acceptable for full credit in a baccalaureate teacher preparation program of study offered by an institution described in paragraph (1) of this definition, as demonstrated by the institutions; or

(ii) Is acceptable for full credit in a baccalaureate degree program in a high-need field at an institution described in paragraph (3) of this definition, as demonstrated by the institutions;

(3) Offers a baccalaureate degree that, in combination with other training or experience, will prepare an individual to teach in a high-need field as defined in this part and has entered into an agreement with an institution described in paragraphs (1) or (4) of this definition to provide courses necessary for its students to begin a career in teaching; or

(4) Provides a post-baccalaureate program of study.

TEACH Grant-eligible program: An eligible program as defined in 34 CFR 668.8 that is a program of study that prepares an individual to teach in a high-need field and that leads to a baccalaureate or master's degree, or is a post-baccalaureate program of study. A two-year program of study that is acceptable for full credit toward a baccalaureate degree is considered to be a program of study that leads to a baccalaureate degree.

Teacher: A person who provides direct classroom teaching or classroom-type teaching in a non-classroom setting, including special education teachers and reading specialists.

Teacher preparation program: A State-approved course of study, the completion of which signifies that an

enrollee has met all the State's educational or training requirements for initial certification or licensure to teach in the State's elementary or secondary schools. A teacher preparation program may be a regular program or an alternative route to certification, as defined by the State. For purposes of a TEACH Grant, the program must be provided by an institution of higher education.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.3 Duration of student eligibility.

(a) An undergraduate or post-baccalaureate student may receive the equivalent of up to four Scheduled Awards during the period required for the completion of the first undergraduate TEACH Grant-eligible baccalaureate program of study and first post-baccalaureate program of study combined.

(b) A graduate student is eligible to receive the equivalent of up to two Scheduled Awards during the period required for the completion of a TEACH Grant-eligible master's degree program of study.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.4 Institutional participation.

(a) A TEACH Grant-eligible institution that offers one or more TEACH Grant-eligible programs may elect to participate in the TEACH Grant program.

(b) If an institution begins participation in the TEACH Grant program during an award year, a student enrolled at and attending that institution is eligible to receive a grant under this part for the payment period during which the institution begins participation and any subsequent payment period.

(c) If an institution ceases to participate in the TEACH Grant program or becomes ineligible to participate in the TEACH Grant program during an

award year, a student who was attending the institution and who submitted a SAR with an official EFC to the institution, or for whom the institution obtained an ISIR with an official EFC, before the date the institution became ineligible will receive a TEACH Grant for that award year for—

(1) The payment periods that the student completed before the institution ceased participation or became ineligible to participate; and

(2) The payment period in which the institution ceased participation or became ineligible to participate.

(d) An institution that ceases to participate in the TEACH Grant program or becomes ineligible to participate in the TEACH Grant program must, within 45 days after the effective date of the loss of eligibility, provide to the Secretary—

(1) The name and other student identifiers as required by the Secretary of each eligible student under § 686.11 who, during the award year, submitted a SAR with an official EFC to the institution or for whom it obtained an ISIR with an official EFC before it ceased to participate in the TEACH Grant program or became ineligible to participate;

(2) The amount of funds paid to each student for that award year;

(3) The amount due each student eligible to receive a grant through the end of the payment period during which the institution ceased to participate in the TEACH Grant program or became ineligible to participate; and

(4) An accounting of the TEACH Grant program expenditures for that award year to the date of termination.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.5 Enrollment status for students taking regular and correspondence courses.

(a) If, in addition to regular coursework, a student takes

correspondence courses from either his or her own institution or another institution having an arrangement for this purpose with the student's institution, the correspondence work may be included in determining the student's enrollment status to the extent permitted under paragraph (b) of this section.

(b) Except as noted in paragraph (c) of this section, the correspondence work that may be included in determining a student's enrollment status is that amount of work that—

(1) Applies toward a student's degree or post-baccalaureate program of study or is remedial work taken by the student to help in his or her TEACH Grant-eligible program;

(2) Is completed within the period of time required for regular coursework; and

(3) Does not exceed the amount of a student's regular coursework for the payment period for which enrollment status is being calculated.

(c)(1) Notwithstanding the limitation in paragraph (b)(3) of this section, a student who would be a half-time student based solely on his or her correspondence work is considered a half-time student unless the calculation in paragraph (b) of this section produces an enrollment status greater than half-time.

(2) A student who would be a less-than-half-time student based solely on his or her correspondence work or a combination of correspondence work and regular coursework is considered a less-than-half-time student.

(d) The following chart provides examples of the application of the regulations set forth in this section. It assumes that the institution defines full-time enrollment as 12 credits per term, making half-time enrollment equal to six credits per term.

Under § 686.5	No. of credit hours regular work	No. of credit hours correspondence	Total course load in credit hours to determine enrollment status	Enrollment status
(b)(3)	3	3	6	Half-time.
(b)(3)	3	6	6	Half-time.
(b)(3)	3	9	6	Half-time.
(b)(3)	6	3	9	Three-quarter-time.
(b)(3)	6	6	12	Full-time.
(b)(3) and (c)	2	6	6	Half-time.
(c)*	Less-than-half-time.

* Any combination of regular and correspondence work that is greater than zero, but less than six hours.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.6 Payment from more than one institution.

A student may not receive grant payments under this part concurrently from more than one institution.

(Authority: 20 U.S.C. 1070g *et seq.*)

Subpart B—Application Procedures

§ 686.10 Application.

(a) To receive a grant under this part, a student must—

(1) Complete and submit an approved signed application, as designated by the Secretary. A copy of this application is not acceptable;

(2) Complete and sign a service agreement and promise to repay; and

(3) Provide any additional information and assurances requested by the Secretary.

(b) The student must submit an application to the Secretary by—

(1) Sending the completed application to the Secretary; or

(2) Providing the application, signed by all appropriate family members, to the institution which the student attends or plans to attend so that the institution can transmit the application information to the Secretary electronically.

(c) The student must provide the address of his or her residence.

(d) For each award year, the Secretary, through publication in the **Federal Register**, establishes deadline dates for submitting to the Department the application and additional information and for making corrections to the information provided.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.11 Eligibility to receive a grant.

(a) *Undergraduate, post-baccalaureate, and graduate students.*

(1) Except as provided in paragraph (b) of this section, a student who meets the requirements of 34 CFR part 668, subpart C, is eligible to receive a TEACH Grant if the student—

(i) Has submitted a completed application;

(ii) Has signed a service agreement as required under § 686.12;

(iii) Is enrolled in a TEACH Grant-eligible institution in a TEACH Grant-eligible program;

(iv) Is completing coursework and other requirements necessary to begin a career in teaching or plans to complete such coursework and requirements prior to graduating; and

(v) Has obtained—

(A) If the student is in the first year of a program of undergraduate education as determined by the institution—

(1) A final cumulative secondary school grade point average (GPA) upon graduation of at least 3.25 on a 4.0 scale, or the numeric equivalent; or

(2) A cumulative GPA of at least 3.25 on a 4.0 scale, or the numeric equivalent, based on courses taken at the institution through the most-recently completed payment period;

(B) If the student is beyond the first year of a program of undergraduate education as determined by the institution, a cumulative undergraduate GPA of at least 3.25 on a 4.0 scale, or the numeric equivalent, through the most-recently completed payment period;

(C) If the student is a graduate student during the first payment period, a cumulative undergraduate GPA of at least 3.25 on a 4.0 scale, or the numeric equivalent;

(D) If the student is a graduate student beyond the first payment period, a cumulative graduate GPA of at least 3.25 on a 4.0 scale, or the numeric equivalent, through the most-recently completed payment period; or

(E) A score above the 75th percentile of scores achieved by all students taking the test during the period the student took the test on at least one of the batteries from a nationally-normed standardized undergraduate, graduate, or post-baccalaureate admissions test, except that such test may not include a placement test.

(2)(i) An institution must document the student's secondary school GPA under § 686.11(a)(1)(v)(A) using—

(A) Documentation provided directly to the institution by the cognizant authority; or

(B) Documentation from the cognizant authority provided by the student.

(ii) A cognizant authority includes, but is not limited to—

(A) An LEA;

(B) An SEA or other State agency; or

(C) A public or private secondary school.

(iii) A home-schooled student's parent or guardian is the cognizant authority for purposes of providing the documentation of a home-schooled student's secondary school GPA.

(iv) If an institution has reason to believe the documentation provided by a student under paragraph (a)(2)(i)(B) of this section is inaccurate or incomplete, the institution must confirm the student's grades by using documentation provided directly to the institution by the cognizant authority.

(b) *Current or former teachers or retirees.* A student who has submitted a completed application and meets the requirements of 34 CFR part 668,

subpart C, is eligible to receive a TEACH Grant if the student—

(1) Has signed a service agreement as required under § 686.12;

(2) Is a current teacher or retiree who is applying for a grant to obtain a master's degree or is or was a teacher who is pursuing certification through a high-quality alternative certification route; and

(3) Is enrolled in a TEACH Grant-eligible institution in a TEACH Grant-eligible program during the period required for the completion of a master's degree.

(c) *Transfer students.* If a student transfers from one institution to the current institution and does not qualify under § 686.11(a)(1)(v)(E), the current institution must determine that student's eligibility for a TEACH Grant for the first payment period using either the method described in paragraph (c)(1) of this section or the method described in paragraph (c)(2) of this section, whichever method coincides with the current institution's academic policy. For an eligible student who transfers to an institution that—

(1) Does not incorporate grades from coursework that it accepts on transfer into the student's GPA at the current institution, the current institution, for the courses accepted upon transfer—

(i) Must calculate the student's GPA for the first payment period of enrollment using the grades earned by the student in the coursework from any prior postsecondary institution that it accepts; and

(ii) Must, for all subsequent payment periods, apply its academic policy and not incorporate the grades from the coursework that it accepts on transfer into the GPA at the current institution; or

(2) Incorporates grades from the coursework that it accepts on transfer into the student's GPA at the current institution, the current institution must use the grades assigned to the coursework accepted by the current institution as the student's cumulative GPA to determine eligibility for the first payment period of enrollment and all subsequent payment periods in accordance with its academic policy.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.12 Service agreement.

(a) *General.* A student who meets the eligibility requirements in § 686.11 may receive a TEACH Grant only after he or she signs a service agreement provided by the Secretary and receives counseling in accordance with § 686.32.

(b) *Contents of the service agreement.* The service agreement provides that, for each TEACH Grant-eligible program for

which the student received TEACH Grant funds, the grant recipient must fulfill a service obligation by performing creditable teaching service by—

(1) Serving as a full-time teacher for a total of not less than four elementary or secondary academic years within eight calendar years after completing the program or otherwise ceasing to be enrolled in the program for which the recipient received the TEACH Grant—

- (i) In a low-income school;
- (ii) As a highly-qualified teacher; and
- (iii) In a high-need field in the majority of classes taught during each elementary and secondary academic year.

(2) Submitting, upon completion of each year of service, documentation of the service in the form of a certification by a chief administrative officer of the school; and

(3) Complying with the terms, conditions, and other requirements consistent with §§ 686.40–686.43 that the Secretary determines to be necessary.

(c) *Completion of more than one service obligation.*

(1) A grant recipient must complete a service obligation for each program of study for which he or she received TEACH Grants. Each service obligation begins following the completion or other cessation of enrollment by the student in the TEACH Grant-eligible program for which the student received TEACH grant funds. However, creditable teaching service may apply to more than one service obligation.

(2) A grant recipient may request a suspension, in accordance with § 686.41, of the eight-year time period in paragraph (b)(1) of this section.

(d) *Majoring and serving in a high-need field.* A grant recipient who completes a TEACH Grant-eligible program in a field that is listed in the Nationwide List cannot satisfy his or her service obligation to teach in that high-need field unless the high-need field in which he or she has prepared to teach is listed in the Nationwide List for the State in which the grant recipient begins teaching at the time the recipient begins teaching in that field.

(e) *Repayment for failure to complete service obligation.* If a grant recipient fails or refuses to carry out the required service obligation described in paragraph (b) of this section, the TEACH Grants received by the recipient must be repaid and will be treated as a Federal Direct Unsubsidized Loan, with interest accruing from the date of each TEACH Grant disbursement, in accordance with applicable sections of subpart B of 34 CFR part 685.

(Authority: 20 U.S.C. 1070g *et seq.*)

Subpart C—Determination of Awards

§ 686.20 Submission process and deadline for a SAR or ISIR.

(a) *Submission process.* (1) Except as provided in paragraph (a)(2) of this section, an institution must disburse a TEACH Grant to a student who is eligible under § 686.11 and is otherwise qualified to receive that disbursement and electronically transmit disbursement data to the Secretary for that student if—

- (i) The student submits a SAR with an official EFC to the institution; or
- (ii) The institution obtains an ISIR with an official EFC for the student.

(2) In determining a student's eligibility to receive a grant under this part, an institution is entitled to assume that the SAR information or ISIR information is accurate and complete except under the conditions set forth in 34 CFR 668.16(f).

(b) *SAR or ISIR deadline.* Except as provided in 34 CFR 668.164(g), for a student to receive a grant under this part in an award year, the student must submit the relevant parts of the SAR with an official EFC to his or her institution or the institution must obtain an ISIR with an official EFC by the earlier of—

- (1) The last date that the student is still enrolled and eligible for payment at that institution; or

- (2) By the deadline date established by the Secretary through publication of a notice in the **Federal Register**.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.21 Calculation of a grant.

(a)(1)(i) The Scheduled Award for a TEACH Grant for an eligible student is \$4,000.

(ii) Each Scheduled Award remains available to an eligible student until the \$4,000 is disbursed.

(2)(i) The aggregate amount that a student may receive in TEACH Grants for undergraduate and post-baccalaureate study may not exceed \$16,000.

(ii) The aggregate amount that a student may receive in TEACH grants for a master's degree may not exceed \$8,000.

(b) The annual award for—

- (1) A full-time student is \$4,000;

- (2) A three-quarter-time student is \$3,000;

- (3) A half-time student is \$2,000; and

- (4) A less-than-half-time student is \$1,000.

(c) Except as provided in paragraph (d) of this section, the amount of a student's grant under this part, in combination with the other student financial assistance available to the

student, including the amount of a Federal Pell Grant for which the student is eligible, may not exceed the student's cost of attendance at a TEACH Grant-eligible institution. Other student financial assistance is estimated financial assistance as defined in 34 CFR 673.5(c).

(d) A TEACH Grant may replace a student's EFC, but the amount of the grant that exceeds the student's EFC is considered estimated financial assistance as defined in 34 CFR 673.5(c).

(e) In determining a student's payment for a payment period, an institution must include—

- (1) In accordance with 34 CFR 668.20, any noncredit or reduced credit courses that an institution determines are necessary—

- (i) To help a student be prepared for the pursuit of a first undergraduate baccalaureate or post-baccalaureate degree or certificate; or

- (ii) In the case of English language instruction, to enable the student to utilize already existing knowledge, training, or skills; and

- (2) In accordance with 34 CFR 668.5, a student's participation in a program of study abroad if it is approved for credit by the home institution at which the student is enrolled.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.22 Calculation of a grant for a payment period.

(a) *Eligibility for payment formula.* (1) *Programs using standard terms with at least 30 weeks of instructional time.* A student's grant for a payment period is calculated under paragraphs (b) or (d) of this section if—

- (i) The student is enrolled in an eligible program that—

- (A) Measures progress in credit hours;

- (B) Is offered in semesters, trimesters, or quarters; and

- (C)(1) For an undergraduate student, requires the student to enroll for at least 12 credit hours in each term in the award year to qualify as a full-time student; or

- (2) For a graduate student, each term in the award year meets the minimum full-time enrollment status established by the institution for a semester, trimester, or quarter; and

- (ii) The program uses an academic calendar that provides at least 30 weeks of instructional time in—

- (A) Two semesters or trimesters in the fall through the following spring, or three quarters in the fall, winter, and spring, none of which overlaps any other term (including a summer term) in the program; or

- (B) Any two semesters or trimesters, or any three quarters where—

(1) The institution starts its terms for different cohorts of students on a periodic basis (e.g., monthly);

(2) The program is offered exclusively in semesters, trimesters, or quarters; and

(3) Students are not allowed to be enrolled simultaneously in overlapping terms and must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and reenroll in a subsequent term.

(2) *Programs using standard terms with less than 30 weeks of instructional time.* A student's payment for a payment period is calculated under paragraph (c) or (d) of this section if—

(i) The student is enrolled in an eligible program that—

(A) Measures progress in credit hours;

(B) Is offered in semesters, trimesters, or quarters;

(C)(1) For an undergraduate student, requires the student to enroll in at least 12 credit hours in each term in the award year to qualify as a full-time student; or

(2) For a graduate student, each term in the award year meets the minimum full-time enrollment status established by the institution for a semester, trimester, or quarter; and

(D) Is not offered with overlapping terms; and

(ii) The institution offering the program—

(A) Provides the program using an academic calendar that includes two semesters or trimesters in the fall through the following spring, or three quarters in the fall, winter, and spring; and

(B) Does not provide at least 30 weeks of instructional time in the terms specified in paragraph (a)(2)(ii)(A) of this section.

(3) *Other programs using terms and credit hours.* A student's payment for a payment period is calculated under paragraph (d) of this section if the student is enrolled in an eligible program that—

(i) Measures progress in credit hours; and

(ii) Is offered in academic terms other than those described in paragraphs (a)(1) and (a)(2) of this section.

(4) *Programs not using terms or using clock hours.* A student's payment for any payment period is calculated under paragraph (e) of this section if the student is enrolled in an eligible program that—

(i) Is offered in credit hours but is not offered in academic terms; or

(ii) Is offered in clock hours.

(5) *Programs for which an exception to the academic year definition has been granted under 34 CFR 668.3.* If an institution receives a waiver from the Secretary of the 30 weeks of instructional time requirement under 34 CFR 668.3, an institution may calculate a student's payment for a payment period using the following methodologies:

(i) If the program is offered in terms and credit hours, the institution uses the methodology in—

(A) Paragraph (b) of this section provided that the program meets all the criteria in paragraph (a)(1) of this section, except that in lieu of meeting the requirements in paragraph (a)(1)(ii)(B) of this section, the program provides at least the same number of weeks of instructional time in the terms specified in paragraph (a)(1)(ii)(A) of this section as are in the program's academic year; or

(B) Paragraph (d) of this section.

(ii) The institution uses the methodology described in paragraph (e) of this section if the program is offered in credit hours without terms.

(b) *Programs using standard terms with at least 30 weeks of instructional time.* The payment for a payment period, i.e., an academic term, for a student in a program using standard terms with at least 30 weeks of instructional time in two semesters or

trimesters or in three quarters as described in paragraph (a)(1)(ii) of this section, is calculated by—

(1) Determining his or her enrollment status for the term;

(2) Based upon that enrollment status, determining his or her annual award; and

(3) Dividing the amount described in paragraph (b)(2) of this section by—

(i) Two at institutions using semesters or trimesters or three at institutions using quarters; or

(ii) The number of terms over which the institution chooses to distribute the student's annual award if—

(A) An institution chooses to distribute all of the student's annual award determined under paragraph (b)(2) of this section over more than two terms at institutions using semesters or trimesters or more than three quarters at institutions using quarters; and

(B) The number of weeks of instructional time in the terms, including the additional term or terms, equals the weeks of instructional time in the program's academic year.

(c) *Programs using standard terms with less than 30 weeks of instructional time.* The payment for a payment period, i.e., an academic term, for a student in a program using standard terms with less than 30 weeks of instructional time in two semesters or trimesters or in three quarters as described in paragraph (a)(2)(ii)(A) of this section, is calculated by—

(1) Determining his or her enrollment status for the term;

(2) Based upon that enrollment status, determining his or her annual award;

(3) Multiplying his or her annual award determined under paragraph (c)(2) of this section by the following fraction as applicable:

(i) In a program using semesters or trimesters—

The number of weeks of instructional time offered in the program in the fall and spring semesters or trimesters

The number of weeks in the program's academic year

(ii) In a program using quarters—

The number of weeks of instructional time offered in the program in the fall, winter, and spring quarters

The number of weeks in the program's academic year

; and

(4)(i) Dividing the amount determined under paragraph (c)(3) of this section by two for programs using semesters or

trimesters or three for programs using quarters; or

(ii) Dividing the student's annual award determined under paragraph

(c)(2) of this section by the number of terms over which the institution chooses to distribute the student's annual award if—

(A) An institution chooses to distribute all of the student's annual award determined under paragraph (c)(2) of this section over more than two terms for programs using semesters or trimesters or more than three quarters for programs using quarters; and

(B) The number of weeks of instructional time in the terms, including the additional term or terms,

equals the weeks of instructional time in the program's academic year definition.

(d) *Other programs using terms and credit hours.* The payment for a payment period, *i.e.*, an academic term, for a student in a program using terms and credit hours, other than those described in paragraphs (a)(1) or (2) of this section, is calculated by—

(1) Determining his or her enrollment status for the term;

(2) Based upon that enrollment status, determining his or her annual award; and

(3) Multiplying his or her annual award determined under paragraph (d)(2) of this section by the following fraction:

$$\frac{\text{The number of weeks of instructional time in the term}}{\text{The number of weeks of instructional time in the program's academic year}}$$

(e) *Programs using credit hours without terms or clock hours.* The payment for a payment period for a

student in a program using credit hours without terms or using clock hours is

calculated by multiplying the Scheduled Award by the lesser of—
(1)

$$\frac{\text{The number of credit or clock hours in the payment period}}{\text{The number of credit or clock hours in the program's academic year}}$$

; or
* * * *

(2)

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

(f) *Maximum disbursement.* A single disbursement may not exceed 50 percent of an award determined under paragraph (d) or (e) of this section. If a payment for a payment period calculated under paragraphs (d) or (e) of this section would require the disbursement of more than 50 percent of a student's annual award in that payment period, the institution must make at least two disbursements to the student in that payment period. The institution may not disburse an amount that exceeds 50 percent of the student's annual award until the student has completed the period of time in the payment period that equals, in terms of weeks of instructional time, 50 percent of the weeks of instructional time in the program's academic year.

(g) *Minimum payment.* No payment for a payment period as determined under this section or § 686.25 may be less than \$25.

(h) *Definition of academic year.* For purposes of this section and § 686.25, an institution must define an academic year—

(1) For each of its TEACH Grant-eligible undergraduate programs of study, including post-baccalaureate programs of study, in terms of the number of credit or clock hours and

weeks of instructional time in accordance with the requirements of 34 CFR 668.3; and

(2) For each of its TEACH Grant-eligible master's degree programs of study in terms of the number of weeks of instructional time in accordance with the requirements of 34 CFR 668.3 and the minimum number of credit or clock hours a full-time student would be expected to complete in the weeks of instructional time of the program's academic year.

(i) *Payment period completing a Scheduled Award.* In a payment period, if a student is completing a Scheduled Award, the student's payment for the payment period—

(1) Is calculated based on the total credit or clock hours and weeks of instructional time in the payment period; and

(2) Is the remaining amount of the Scheduled Award being completed plus an amount from the next Scheduled Award, if available, up to the payment for the payment period.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.23 Calculation of a grant for a payment period that occurs in two award years.

If a student enrolls in a payment period that is scheduled to occur in two award years—

(a) The entire payment period must be considered to occur within one award year;

(b) The institution must determine for each TEACH Grant recipient the award year in which the payment period will be placed subject to the restriction set forth in paragraph (c) of this section;

(c) The institution must place a payment period with more than six months scheduled to occur within one award year in that award year;

(d) If the institution places the payment period in the first award year, it must pay a student with funds from the first award year; and

(e) If the institution places the payment period in the second award year, it must pay a student with funds from the second award year.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.24 Transfer student: attendance at more than one institution during an award year.

(a) If a student who receives a TEACH Grant at one institution subsequently enrolls at a second institution, the

student may receive a grant at the second institution only if—

(1) The student submits a SAR with an official EFC to the second institution; or

(2) The second institution obtains an ISIR with an official EFC.

(b) The second institution must calculate the student's award in accordance with § 686.22 or § 686.25.

(c) The second institution may pay a TEACH Grant only for that period in which a student is enrolled in a TEACH Grant-eligible program at that institution.

(d) The student's TEACH Grant for each payment period is calculated according to the procedures in §§ 686.22 or 686.25 unless the remaining balance of the Scheduled Award at the second institution is the balance of the student's last Scheduled Award and is less than the amount the student would normally receive for that payment period.

(e) A transfer student must repay any amount received in an award year that exceeds the amount which he or she was eligible to receive.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.25 Correspondence study.

(a) An institution calculates a TEACH Grant for a payment period for a student in a program of study offered by correspondence courses without terms, but not including any residential component, by—

(1) Using the half-time annual award; and

(2) Multiplying the half-time annual award by the lesser of—

(i)

$$\frac{\text{The number of credit or clock hours in the payment period}}{\text{The number of credit or clock hours in the program's academic year}}$$

; or

(ii)

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

(b) For purposes of paragraph (a) of this section—

(1) An academic year as measured in credit or clock hours must consist of two payment periods—

(i) The first payment period must be the period of time in which the student completes the lesser of the first half of his or her academic year or program; and

(ii) The second payment period must be the period of time in which the student completes the lesser of the second half of the academic year or program; and

(2)(i) The institution must make the first payment to a student for an academic year, as calculated under paragraph (a) of this section, after the student submits 25 percent of the lessons or otherwise completes 25 percent of the work scheduled for the program or the academic year, whichever occurs last; and

(ii) The institution must make the second payment to a student for an academic year, as calculated under (a) of this section, after the student submits 75 percent of the lessons or otherwise completes 75 percent of the work scheduled for the program or the academic year, whichever occurs last.

(c) In a program of correspondence study offered by correspondence courses using terms but not including any residential component—

(1) The institution must prepare a written schedule for submission of lessons that reflects a workload of at least 30 hours of preparation per

semester hour or 20 hours of preparation per quarter hour during the term;

(2)(i) If the student is enrolled in at least six credit hours that commence and are completed in that term, the half-time annual award is used; or

(ii) If the student is enrolled in less than six credit hours that commence and are completed in that term the less-than-half-time annual award is used;

(3) A payment for a payment period is calculated using the formula in § 686.22(d) except that paragraphs (c)(1) and (2) of this section are used in lieu of paragraphs § 686.22(d)(1) and (2), respectively; and

(4) The institution must make the payment to a student for a payment period after that student completes 50 percent of the lessons or otherwise completes 50 percent of the work scheduled for the term, whichever occurs last.

(d) Payments for periods of residential training must be calculated under § 686.22(d) if the residential training is offered using terms and credit hours or under § 686.22(e) if the residential training is offered using credit hours without terms or clock hours.

(Authority: 20 U.S.C. 1070g *et seq.*)

Subpart D—Administration of Grant Payments

§ 686.30 Scope.

This subpart deals with TEACH Grant Program administration by a TEACH Grant-eligible institution.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.31 Determination of eligibility for payment.

(a) For each payment period, an institution may pay a grant under this part to an eligible student only after it determines that the student—

(1) Is eligible under § 686.11;

(2) Has completed the relevant counseling required in § 686.32;

(3) Has signed a service agreement as described in § 686.12;

(4) Is enrolled in a TEACH Grant-eligible program; and

(5) If enrolled in a credit-hour program without terms or a clock-hour program, has completed the payment period as defined in 34 CFR 668.4 for which he or she has been paid a grant.

(b)(1) If an institution determines at the beginning of a payment period that a student is not maintaining satisfactory progress, but changes that determination before the end of the payment period, the institution may pay a TEACH Grant to the student for the entire payment period.

(2) If an institution determines at the beginning of a payment period that a student enrolled in a TEACH Grant-eligible program is not maintaining the required GPA for a TEACH Grant under § 686.11 or is not pursuing a career in teaching, but changes that determination before the end of the payment period, the institution may pay a TEACH Grant to the student for the entire payment period.

(c) If an institution determines at the beginning of a payment period that a student is not maintaining satisfactory progress or the necessary GPA for a TEACH Grant under § 686.11 or is not pursuing a career in teaching, but changes that determination after the end of the payment period, the institution may not pay the student a TEACH Grant for that payment period or make adjustments in subsequent payments to compensate for the loss of aid for that period.

(d) An institution may make one disbursement for a payment period to an otherwise eligible student if—

- (1)(i) The student's final high school GPA is not yet available; or
- (ii) The student's cumulative GPA through the prior payment period under § 686.11 is not yet available; and
- (2) The institution assumes liability for any overpayment if the student fails to meet the required GPA to qualify for the disbursement.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.32 Counseling requirements.

(a) *Initial counseling.* (1) An institution must ensure that initial counseling is conducted with each TEACH Grant recipient prior to making the first disbursement of the grant.

(2) The initial counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the institution must ensure that an individual with expertise in title IV, HEA programs is reasonably available shortly after the counseling to answer the student's questions. As an alternative, in the case of a student enrolled in a correspondence program of study or a study-abroad program of study approved for credit at the home institution, the student may be provided with written counseling materials before the grant is disbursed.

(3) The initial counseling must—

(i) Explain the terms and conditions of the TEACH Grant service agreement as described in § 686.12;

(ii) Provide the student with information about how to identify low-income schools and documented high-need fields;

(iii) Inform the grant recipient that, in order for the teaching to count towards the service obligation, the high-need field in which he or she has prepared to teach must be—

(A) One of the six high-need fields listed in § 686.2; or

(B) A high-need field listed in the Nationwide List at the time and for the State in which the grant recipient begins teaching in that field.

(iv) Inform the grant recipient of the opportunity to request a suspension of

the eight-year period for completion of the service agreement and the conditions under which a suspension may be granted in accordance with § 686.41;

(v) Explain to the student that conditions, such as conviction of a felony, could preclude the student from completing the service obligation;

(vi) Emphasize to the student that if the student fails or refuses to complete the service obligation contained in the service agreement or any other condition of the service agreement—

(A) The TEACH Grant must be repaid as a Federal Direct Unsubsidized Loan; and

(B) The TEACH Grant recipient will be obligated to repay the full amount of each grant and the accrued interest from each disbursement date;

(vii) Explain the circumstances, as described in § 686.43, under which a TEACH Grant will be converted to a Federal Direct Unsubsidized Loan;

(viii) Emphasize that, once a TEACH Grant is converted to a Federal Direct Unsubsidized Loan, it cannot be reconverted to a grant;

(ix) Review for the grant recipient information on the availability of the Department's Student Loan Ombudsman's office;

(x) Describe the likely consequences of loan default, including adverse credit reports, garnishment of wages, Federal offset, and litigation; and

(xi) Inform the student of sample monthly repayment amounts based on a range of student loan indebtedness.

(b) *Subsequent counseling.* (1) If a student receives more than one TEACH Grant, the institution must ensure that the student receives additional counseling prior to the first disbursement of each subsequent TEACH Grant award.

(2) Subsequent counseling may be in person, by audiovisual presentation, or by interactive electronic means. In each case, the institution must ensure that an individual with expertise in title IV, HEA programs is reasonably available shortly after the counseling to answer the student's questions. As an alternative, in the case of a student enrolled in a correspondence program of study or a study-abroad program of study approved for credit at the home institution, the student may be provided with written counseling materials before the grant is disbursed.

(3) Subsequent counseling must—

(i) Review the terms and conditions of the TEACH Grant service agreement as described in § 686.12;

(ii) Emphasize to the student that if the student fails or refuses to complete the service obligation contained in the

service agreement or any other condition of the service agreement—

(A) The TEACH Grant must be repaid as a Federal Direct Unsubsidized Loan; and

(B) The TEACH Grant recipient will be obligated to repay the full amount of the grant and the accrued interest from the disbursement date;

(iii) Explain the circumstances, as described in § 686.34, under which a TEACH Grant will be converted to a Federal Direct Unsubsidized Loan;

(iv) Emphasize that, once a TEACH Grant is converted to a Federal Direct Unsubsidized Loan, it cannot be reconverted to a grant; and

(v) Review for the grant recipient information on the availability of the Department's Student Loan Ombudsman's office.

(c) *Exit counseling.* (1) An institution must ensure that exit counseling is conducted with each grant recipient before he or she ceases to attend the institution at a time determined by the institution.

(2) The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the institution must ensure that an individual with expertise in title IV, HEA programs is reasonably available shortly after the counseling to answer the grant recipient's questions. As an alternative, in the case of a grant recipient enrolled in a correspondence program of study or a study-abroad program of study approved for credit at the home institution, the grant recipient may be provided with written counseling materials within 30 days after he or she completes the program.

(3) Within 30 days of learning that a grant recipient has withdrawn from the institution without the institution's knowledge, or from a TEACH Grant-eligible program, or failed to complete exit counseling as required, exit counseling must be provided either in-person, through interactive electronic means, or by mailing written counseling materials to the grant recipient's last known address.

(4) The exit counseling must—

(i) Inform the grant recipient of the four-year service obligation that must be completed within the first eight calendar years after completing a TEACH Grant-eligible program in accordance with § 686.12;

(ii) Inform the grant recipient of the opportunity to request a suspension of the eight-year period for completion of the service agreement and the conditions under which a suspension may be granted in accordance with § 686.41;

(iii) Provide the grant recipient with information about how to identify low-income schools and documented high-need fields;

(iv) Inform the grant recipient that, in order for the teaching to count towards the service obligation, the high-need field in which he or she has prepared to teach must be—

(A) One of the six high-need fields listed in § 686.2; or

(B) A high-need field listed in the Nationwide List at the time and for the State in which the grant recipient begins teaching in that field.

(v) Explain that the grant recipient will be required to submit to the Secretary each year written documentation of his or her status as a highly-qualified teacher in a high-need field at a low-income school or of his or her intent to complete the four-year service requirement until the date that the service requirement has been met or the date that the grant becomes a loan, whichever occurs first;

(vi) Explain the circumstances, as described in § 686.43, under which a TEACH Grant will be converted to a Federal Direct Unsubsidized Loan;

(vii) Emphasize that once a TEACH Grant is converted to a Federal Direct Unsubsidized Loan it cannot be reconverted to a grant;

(viii) Inform the grant recipient of the average anticipated monthly repayment amount based on a range of student loan indebtedness if the TEACH grants convert to a Federal Direct Unsubsidized Loan;

(ix) Review for the grant recipient available repayment options if the TEACH Grant converts to a Federal Direct Unsubsidized Loan including the standard repayment, extended repayment, graduated repayment, income-contingent and income-based repayment plans, and loan consolidation;

(x) Suggest debt-management strategies to the grant recipient that would facilitate repayment if the TEACH Grant converts to a Federal Direct Unsubsidized Loan;

(xi) Explain to the grant recipient how to contact the Secretary;

(xii) Describe the likely consequences of loan default, including adverse credit reports, garnishment of wages, Federal offset, and litigation;

(xiii) Review for the grant recipient the conditions under which he or she may defer or forbear repayment, obtain a full or partial discharge, or receive teacher loan forgiveness if the TEACH Grant converts to a Federal Direct Unsubsidized Loan;

(xiv) Review for the grant recipient information on the availability of the

Department's Student Loan Ombudsman's office; and

(xv) Inform the grant recipient of the availability of title IV loan information in the National Student Loan Data System (NSLDS).

(5) If exit counseling is conducted through interactive electronic means, an institution must take reasonable steps to ensure that each grant recipient receives the counseling materials and participates in and completes the exit counseling.

(d) *Compliance.* The institution must maintain documentation substantiating the institution's compliance with this section for each TEACH Grant recipient.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.33 Frequency of payment.

(a) In each payment period, an institution may pay a student at such times and in such installments as it determines will best meet the student's needs.

(b) The institution may pay funds in one lump sum for all the prior payment periods for which the student was eligible under § 686.11 within the award year as long as the student has signed the service agreement prior to disbursement of the TEACH Grant. The student's enrollment status must be determined according to work already completed.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.34 Liability for and recovery of TEACH Grant overpayments.

(a)(1) Except as provided in paragraphs (a)(2) and (3) of this section, a student is liable for any TEACH Grant overpayment made to him or her.

(2) The institution is liable for a TEACH Grant overpayment if the overpayment occurred because the institution failed to follow the procedures set forth in this part or in 34 CFR part 668. The institution must restore an amount equal to the overpayment to its TEACH Grant account.

(3) A student is not liable for, and the institution is not required to attempt recovery of or refer to the Secretary, a TEACH Grant overpayment if the amount of the overpayment is less than \$25 and is not a remaining balance.

(b)(1) Except as provided in paragraph (a)(3) of this section, if an institution makes a TEACH Grant overpayment for which it is not liable, it must promptly send a written notice to the student requesting repayment of the overpayment amount. The notice must state that failure to make that repayment, or to make arrangements satisfactory to the holder of the overpayment debt to repay the

overpayment, makes the student ineligible for further title IV, HEA program funds until final resolution of the TEACH Grant overpayment.

(2) If a student objects to the institution's TEACH Grant overpayment determination, the institution must consider any information provided by the student and determine whether the objection is warranted.

(c) Except as provided in paragraph (a)(3) of this section, if the student fails to repay a TEACH Grant overpayment or make arrangements satisfactory to the holder of the overpayment debt to repay the TEACH Grant overpayment, after the institution has taken the action required by paragraph (b) of this section, the institution must refer the overpayment to the Secretary for collection in accordance with procedures required by the Secretary. After referring the TEACH Grant overpayment to the Secretary under this section, the institution need make no further efforts to recover the overpayment.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.35 Re-determination of eligibility for TEACH Grant award.

(a) *Change in enrollment status.* (1) If the student's enrollment status changes from one academic term to another academic term within the same award year, the institution must recalculate the TEACH Grant award for the new payment period taking into account any changes in the cost of attendance.

(2)(i) If the student's projected enrollment status changes during a payment period after the student has begun attendance in all of his or her classes for that payment period, the institution may (but is not required to) establish a policy under which the student's award for the payment period is recalculated. Any such recalculations must take into account any changes in the cost of attendance. In the case of an undergraduate or post-baccalaureate program of study, if such a policy is established, it must be the same policy that the institution established under § 690.80(b) for the Federal Pell Grant Program and it must apply to all students in the TEACH Grant-eligible program.

(ii) If a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution must recalculate the student's enrollment status to reflect only those classes for which he or she actually began attendance.

(b) *Change in cost of attendance.* If the student's cost of attendance changes at any time during the award year and his or her enrollment status remains the

same, the institution may, but is not required to, establish a policy under which the student's award for the payment period is recalculated. If such a policy is established, it must apply to all students in the TEACH Grant-eligible program.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.36 Fiscal control and fund accounting procedures.

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

(b) An institution must maintain funds received under this section in accordance with the requirements in 34 CFR 668.164.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.37 Institutional reporting requirements.

(a) An institution must provide to the Secretary information about each TEACH Grant recipient that includes but is not limited to—

(1) The student's eligibility for a grant, as determined in accordance with §§ 686.11 and 686.19;

(2) The student's TEACH Grant amounts; and

(3) The anticipated and actual disbursement date or dates and disbursement amounts of the TEACH Grant funds.

(b) An institution must submit the initial disbursement record for a TEACH Grant to the Secretary no later than 30 days following the date of the initial disbursement. The institution must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.38 Maintenance and retention of records.

(a) An institution must follow the record retention and examination provisions in this section and in 34 CFR 668.24.

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

(Authority: 20 U.S.C. 1070g *et seq.*)

Subpart E—Service and Repayment Obligations

§ 686.40 Documenting the service obligation.

(a) Except as provided in §§ 686.41 and 686.42, within 120 days of

completing or otherwise ceasing enrollment in a program of study for which a TEACH Grant was received, the grant recipient must confirm to the Secretary in writing that—

(1) He or she is employed as a full-time teacher in accordance with the terms and conditions of the service agreement described in § 686.12; or

(2) He or she is not yet employed as a full-time teacher but intends to meet the terms and conditions of the service agreement described in § 686.12.

(b) If a grant recipient is performing full-time teaching service in accordance with the service agreement, or service agreements if more than one agreement exists, the grant recipient must, upon completion of each of the four required elementary or secondary academic years of teaching service, provide to the Secretary documentation of that teaching service on a form approved by the Secretary and certified by the chief administrative officer of the school in which the grant recipient is teaching. The documentation must show that the grant recipient is teaching in a low-income school. If the school at which the grant recipient is employed meets the requirements of a low-income school in the first year of the grant recipient's four elementary or secondary academic years of teaching and the school fails to meet those requirements in subsequent years, those subsequent years of teaching qualify for purposes of this section for that recipient.

(c)(1) In addition to the documentation requirements in paragraph (b) of this section, the documentation must show that the grant recipient—

(i) Taught a majority of classes during the period being certified in any of the high-need fields of mathematics, science, a foreign language, bilingual education, English language acquisition, special education, or as a reading specialist; or

(ii) Taught a majority of classes during the period being certified in a State in another high-need field designated by that State and listed in the Nationwide List, except that teaching service does not satisfy the requirements of the service agreement if that teaching service is in a geographic region of a State or in a specific grade level not associated with a high-need field of a State designated in the Nationwide List as having a shortage of elementary or secondary school teachers.

(2) If a grant recipient begins qualified full-time teaching service in a State in a high-need field designated by that State and listed in the Nationwide List and in subsequent years that high-need field is no longer designated by the State

in the Nationwide List, the grant recipient will be considered to continue to perform qualified full-time teaching service in a high-need field of that State and to continue to fulfill the service obligation.

(d) Documentation must also provide evidence that the grant recipient is a highly-qualified teacher.

(e) For purposes of completing the service requirement, the elementary or secondary academic year may be counted as one of the grant recipient's four complete elementary or secondary academic years if the grant recipient completes at least one-half of the elementary or secondary academic year and the grant recipient's school employer considers the grant recipient to have fulfilled his or her contract requirements for the elementary or secondary academic year for the purposes of salary increases, tenure, and retirement if the grant recipient is unable to complete an elementary or secondary academic year due to—

(1) A condition that is covered under the Family and Medical Leave Act of 1993 (FMLA) (29 U.S.C. 2601 *et seq.*) that is limited to—

(i) The birth of a son or daughter of the grant recipient and in order to care for the son or daughter;

(ii) The placement of a son or daughter with the grant recipient for adoption or foster care;

(iii) Caring for the spouse, or a son, daughter, or parent, of the grant recipient, if the spouse, son, daughter, or parent has a serious health condition; or

(iv) A serious health condition that makes the grant recipient unable to perform the functions of the position as a teacher; or

(2) A call or order to active duty status for more than 30 days as a member of a reserve component of the Armed Forces named in 10 U.S.C. 10101, or service as a member of the National Guard on full-time National Guard duty, as defined in 10 U.S.C. 101(d)(5), under a call to active service in connection with a war, military operation, or a national emergency.

(f) A grant recipient who taught in more than one qualifying school during an elementary or secondary academic year and demonstrates that the combined teaching service was the equivalent of full-time, as supported by the certification of one or more of the chief administrative officers of the schools involved, is considered to have completed one elementary or secondary academic year of qualifying teaching.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.41 Periods of suspension.

(a)(1) The grant recipient who has completed or who has otherwise ceased enrollment in a TEACH Grant-eligible program for which he or she received TEACH grant funds may request a suspension from the Secretary of the eight-year period for completion of the service obligation based on—

(i) Enrollment in a program of study for which the recipient would be eligible for a TEACH Grant or in a program of study that has been determined by a State to satisfy the requirements for certification or licensure to teach in the State's elementary or secondary schools;

(ii) A condition that is covered under FMLA which is limited to—

(A) The birth of a son or daughter of the grant recipient and in order to care for the son or daughter;

(B) The placement of a son or daughter with the grant recipient for adoption or foster care;

(C) Caring for the spouse, or a son, daughter, or parent, of the grant recipient, if the spouse, son, daughter, or parent has a serious health condition; or

(D) A serious health condition that makes the grant recipient unable to perform the functions of the position as a teacher; or

(iii) A call or order to active duty status for more than 30 days as a member of a reserve component of the Armed Forces named in 10 U.S.C. 10101 or service as a member of the National Guard on full-time National Guard duty, as defined in 10 U.S.C. 101(d)(5) under a call to active service in connection with a war, military operation, or a national emergency.

(2) A grant recipient may receive a suspension described in paragraph (a)(1)(i) and (ii) of this section in one-year increments that—

(i) Does not exceed a combined total of three years under both paragraphs (a)(1)(i) and (ii) of this section; or

(ii) Ends upon the completion of the military service in paragraph (a)(1)(iii) of this section.

(b) The grant recipient must apply for a suspension in writing on a form approved by the Secretary within six months of completing or otherwise ceasing enrollment in a TEACH Grant-eligible program, or if the grant recipient has already begun teaching service in fulfillment of the service obligation, within six months of the date he or she stops teaching.

(c) The grant recipient must provide the Secretary with documentation supporting the suspension request as well as current contact information

including home address and telephone number.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.42 Discharge of service agreement.

(a) *Death.* If a grant recipient dies, the Secretary discharges the obligation to complete the service agreement based on an original or certified copy of the grant recipient's death certificate, an accurate and complete photocopy of the original or certified copy of the grant recipient's death certificate, or, on a case-by-case basis, reliable documentation acceptable to the Secretary.

(b) *Total and permanent disability.* (1) A grant recipient's service agreement is discharged if the recipient becomes totally and permanently disabled, as defined in 34 CFR 682.200(b), and the grant recipient applies for and satisfies the eligibility requirements for a total and permanent disability discharge in accordance with 34 CFR 685.213.

(2) The eight-year time period in which the grant recipient must complete the service obligation remains in effect during the conditional discharge period described in 34 CFR 685.213(c)(2) unless the grant recipient is eligible for a suspension based on the FMLA in accordance with § 686.41(a)(1)(ii)(D).

(3) Interest continues to accrue on each TEACH Grant disbursement unless and until the TEACH Grant recipient's service agreement is discharged.

(4) If the grant recipient satisfies the criteria for a total and permanent disability discharge during and at the end of the three-year conditional discharge period, the Secretary discharges the grant recipient's service obligation.

(5) If, at any time during or at the end of the three-year conditional discharge period, the Secretary determines that the grant recipient does not meet the eligibility criteria for a total and permanent disability discharge, the Secretary ends the conditional discharge period and the grant recipient is once again subject to the terms of the service agreement.

(Authority: 20 U.S.C. 1070g *et seq.*)

§ 686.43 Obligation to repay the grant.

(a) The TEACH Grant amounts disbursed to the recipient will be converted into a Federal Direct Unsubsidized Loan, with interest accruing from the date that each grant disbursement was made and be collected by the Secretary in accordance with the relevant provisions of subpart A of 34 CFR part 685 if—

(1) The grant recipient, regardless of enrollment status, requests that the

TEACH Grant be converted into a Federal Direct Unsubsidized Loan because he or she has decided not to teach in a qualified school or field or for any other reason;

(2) Within 120 days of ceasing enrollment in the institution prior to completing the TEACH Grant-eligible program, the grant recipient has failed to notify the Secretary in accordance with § 686.40(a);

(3) Within one year of ceasing enrollment in the institution prior to completing the TEACH Grant-eligible program, the grant recipient has not—

(i) Been determined eligible for a suspension of the eight-year period for completion of the service obligation as provided in § 686.41;

(ii) Re-enrolled in a TEACH Grant-eligible program; or

(iii) Begun creditable teaching service as described in § 686.12(b);

(4) The grant recipient completes the course of study for which a TEACH Grant was received and does not actively confirm to the Secretary, at least annually, his or her intention to satisfy the service agreement; or

(5) The grant recipient has completed the TEACH Grant-eligible program but has failed to begin or maintain qualified employment within the timeframe that would allow that individual to complete the service obligation within the number of years required under § 686.12.

(b) A TEACH Grant that converts to a loan, and is treated as a Federal Direct Unsubsidized Loan, is not counted against the grant recipient's annual or any aggregate Stafford Loan limits.

(c) A grant recipient whose TEACH Grant has been converted to a Federal Direct Unsubsidized Loan—

(1) Enters repayment immediately;

(2) Is eligible for all of the benefits of the Direct Loan Program; and

(3) Is not eligible for any grace period.

(d) A TEACH Grant that is converted to a Federal Direct Unsubsidized Loan cannot be reconverted to a grant.

(Authority: 20 U.S.C. 1070g *et seq.*)

PART 690—FEDERAL PELL GRANT PROGRAM

38. The authority citation for part 690 is revised to read as follows:

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

39. Section 690.2 is amended by:

A. Adding, in alphabetical order, the terms "Teacher Education Assistance for College and Higher Education (TEACH) Grant Program" and "TEACH Grant" in paragraph (b).

B. Revising the authority citation to read as follows:

§ 690.2 Definitions.

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(Authority: 20 U.S.C. 1070a, 1070g)

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