In this chapter, we discuss the applicability of the FSA program requirements to programs offered through distance education.

For some time now, schools have used various alternative non-traditional modes of delivering instruction. Distance Education refers to any mode of instruction in which there is a separation, in time or place, between the instructor and student. In this chapter we use the term distance education to refer collectively to these alternative modes including –

- courses through correspondence (including some courses offered on video cassettes); and
- courses offered via the application of technology including television, audio or computer transmission (such as open broadcast, closed circuit, cable, microwave, or satellite transmission), and courses offered over the Internet.

Schools use distance education to respond to students’ needs for alternatives to the schedules and locations at which courses traditionally have been offered. The availability of new technologies including the Internet have spurred significant growth in the number and types of distance education programs schools offer.

Certain FSA program requirements (particularly disbursement rules) are organized around the traditional structures of term-based on-campus instruction. These requirements may restrict and may not be easily applied to distance education programs. Questions regarding FSA program and FSA student eligibility often arise when schools expand their course offerings by adding distance learning options.

The Higher Education Amendments of 1998, Public Law 105-244, addressed this growing problem by authorizing a Distance Education Demonstration Program (Demonstration Program). You can find information about the Demonstration Program later in this chapter.
CORRESPONDENCE AND TELECOMMUNICATIONS COURSES

As discussed previously, for purposes of the FSA programs, distance education refers to courses delivered via telecommunications and correspondence. There are eligibility implications for institutions that offer courses via telecommunications and correspondence.

Definitions

What is a correspondence course?

A correspondence course is a home-study course provided by a school under which the school provides instructional materials, including examinations on the materials, to students who are not physically attending classes at the school. When a student completes a portion of the instructional materials, the student takes the examinations that relate to that portion of the materials and returns the examinations to the school for grading.

- If a course is part correspondence and part residential training, the course is considered to be a correspondence course.
- If a school adds telecommunications technology, such as online instruction, to a correspondence course, the school must ascertain the predominant method of instruction (correspondence or telecommunications). The school must apply the rules for the predominant method, in administering its participation in the FSA programs.
- A course that is delivered in whole or in part through the use of video cassettes or video discs is a correspondence course unless the school also delivers comparable instruction to students attending resident classes at the school during the same award year.

What is a telecommunications course?

A telecommunications course is a course offered via the application of technology including television, audio, or computer transmission (such as open broadcast, closed circuit, cable, microwave, or satellite transmission) and courses offered over the Internet.

Please note that telecommunications courses may be considered correspondence courses and when that is the case, there may be implications vis-à-vis an institution’s eligibility to participate in the FSA programs. Those implications are discussed in the section The effects of correspondence and telecommunications courses on institutional eligibility.
THE EFFECTS OF CORRESPONDENCE AND TELECOMMUNICATIONS COURSES ON INSTITUTIONAL ELIGIBILITY

Students enrolled in correspondence courses are eligible to receive FSA, HEA Program funds only if they are enrolled in degree programs (associate, bachelor’s, graduate). This means that students cannot receive FSA funds if they are enrolled in certificate programs via correspondence.

For certificate programs of less than one year, telecommunications students are considered correspondence students. These students are not eligible to receive FSA funds.

Basic Principles

1. Telecommunications courses are considered to be correspondence courses if the sum of the telecommunications courses and other correspondence courses the school provided during the award year equaled or exceeded 50% of the total number of courses it provided during that year.

2. If a school offers more than 50% of its courses by correspondence, the school loses its eligibility to participate in the FSA.

This limitation does not apply to a school that mainly provides vocational adult education or job training (as defined under Sec. 521(4)(C) of the Carl D. Perkins Vocational and Applied Technology Education Act).

3. If 50% or more of an institution’s students are enrolled in its correspondence courses, the school loses its eligibility to participate in the FSA programs.

This limitation may be waived for a school that offers a two-year associate degree or four-year baccalaureate degree program if the school demonstrates to the Department that in that award year, the students enrolled in its correspondence courses receive no more than 5% of the total FSA program funds received by all of the school’s students in the award year.

4. The 50% limitation applies to institutions, not programs. An educational program composed entirely of correspondence courses could still be an eligible program if no more than 50% of the institution’s courses were offered through correspondence and telecommunications, and the program met other eligibility requirements.

An educational program composed entirely of Internet courses (telecommunications courses) could still be an eligible program if no more than 50% of the institution’s

Reminder

Contracting distance education courses
Some participating institutions contract with providers that are not eligible to participate in the FSA programs to offer courses through distance education. These participating institutions must ensure that they do not exceed the limitations on contractual arrangements (see chapter 7.)
A school is the sum only of its eligible programs

Some postsecondary institutions offer programs that are eligible for FSA as well as programs that are not FSA eligible. For FSA program purposes, we consider an eligible institution to be the sum of its "eligible programs."

In order to minimize the effect on institutional eligibility of offering programs solely by correspondence that do not lead to a degree, a school might choose to identify those programs as not part of its FSA eligible programs.

A program (and students enrolled therein) that was so identified would not be considered part of the school in these two formulas.

courses were offered through correspondence and telecommunications, and the program met other eligibility requirements.

5. If the student is enrolled in a program leading to an associate, bachelor’s, or graduate or professional degree, the student is eligible to receive FSA program funds. If a student is enrolled in a program delivered via correspondence and leading to a certificate or diploma, the student is not eligible to receive FSA program funds. There is no special limit on the eligibility of telecommunications students to receive FSA, HEA program funds as long as the telecommunications course is considered a telecommunications course and not a correspondence course. Certificate programs that are less than one year and that are offered by telecommunications are considered correspondence programs. They are not eligible for Federal Student aid.

6. A school may not refuse to provide FSA funds to a student because he or she is enrolled in correspondence or telecommunications courses unless the courses are not part of an eligible program. However, a school may refuse to certify an FFEL application or originate a Direct Loan (or may reduce the amount of the FFEL or Direct Loan) for a student if the decision is made on a case-by-case basis, and the reason (not merely because the student is a distance education student) is provided to the student in writing and documented in the student’s file.

7. The school’s correspondence course calculation and correspondence student calculation must be attested to by an independent auditor.

Over the next few pages we will show you how to count correspondence students and courses. Then we will describe the effects that those calculations have on the eligibility of different types of students and institutions.

How to count courses for purposes of determining whether a school comes within the 50% limitations.

Using the latest complete award year, the formula for determining the enrolled student limitation is as follows:

\[
\text{number of institution's correspondence courses} \div \text{total number of institution's courses}
\]

1. If a school offers a course both by correspondence and residential training, the course counts twice, as a correspondence course and as a residential course. Thus, it would count as one in the numerator and as two in the denominator.
2. Regardless of how many sections of a course or program are offered during the award year (as a residential or as a correspondence course), the course is counted only once under each type.

3. A program not offered in courses or modules counts as one correspondence course.

## Counting Correspondence Courses

Miliways Community College (MCC) offers telecommunications and correspondence courses as well as resident training. The college offers 90 courses on campus as well as a number of courses through correspondence. MCC’s registrar, Ford Prefect, knows that the school offers two programs not divided into courses or modules and 42 sections of classes through correspondence. In order to determine the number of correspondence courses, Ford examines the following data:

- Robotics Technology (a 24-credit program not broken up into courses or modules) = 1 correspondence course
- Vogon Highway Construction (a 24-credit program not broken up into courses or modules) = 1 correspondence course
- Art 201, 202, 203, and 204 (8 sections of each, offered only through correspondence) = 4 correspondence courses
- English 101 (6 sections offered through telecommunications, and 45 on campus) (and 1 resident course) = 1 telecommunications course
- Music of the Spheres (2 sections offered via DVD, and not offered on campus) = 1 correspondence course

### How to count students for purposes of determining whether a school comes within the 50% limitations.

Using the latest complete award year, the formula for determining the enrolled student limitation is as follows:

\[
\frac{\text{number of regular students enrolled in the institution’s correspondence courses}}{\text{number of regular students enrolled in all of the institution’s courses}}
\]
• A school must use a straight head count of enrolled students. Therefore it is irrelevant whether a student is a full-time or part-time student or whether the student is a recipient of FSA program funds.

• All enrolled regular students must be counted. (If a student withdrew from the school and received a full refund the student is not counted.)

Next, we discuss the interrelationship between correspondence and telecommunications courses and students.

The consequences of the 50% Rule for three types of eligible institutions

1. Eligible institutions that provide certificate programs but do not provide eligible degree programs

Degree programs are programs that lead to associates, bachelors, graduate, or professional degrees.

Are telecommunications courses and students considered correspondence courses and students?

• Yes; telecommunications courses are considered correspondence courses.

• Yes; telecommunications students are considered correspondence students.

For eligible institutions that provide certificate programs but do not provide degree programs, what is the effect of offering correspondence courses on institutional eligibility?

• This type of eligible institution becomes ineligible if the number of correspondence courses (including telecommunications courses) it offers in its latest award year is more than 50% of the total number of courses it offers in that award year.

• This type of eligible institution becomes ineligible if the number of students enrolled in its correspondence courses (including telecommunications courses) in its latest award year equals 50% or more of the total number of enrolled students in that year. (Section 102(a)(3)(B) of the HEA; 34 CFR 600.7(a)(1)(ii).)

Can this type of school award FSA program funds to correspondence, including telecommunications, students?

• No; this type of school may not award FSA program funds to its correspondence (including telecommunications) students.
However, if after the application of the appropriate formulas, the school remains eligible, it may award aid to its resident students.

2. Eligible institutions that provide educational certificate and degree programs where the number of eligible degree programs was less than 50% of the institution’s total number of education programs in its latest award year

With regard to telecommunications students and programs, this type of school is treated the same as the first type of school.

Are telecommunications courses and students considered correspondence courses and students?

• Yes; telecommunications courses are considered correspondence courses.
• Yes; telecommunications students are considered correspondence students.

What is the effect of offering correspondence courses on institutional eligibility?

• This type of eligible institution becomes ineligible if the number of correspondence courses (including telecommunications courses) it offers in its latest award year is more than 50% of the total number of courses it offers in that award year.
• This type of eligible institution becomes ineligible if the number of students enrolled in its correspondence courses (including telecommunications courses) in its latest award year equals 50% or more of the total number of enrolled students in that year. (Section 102(a)(3)(B) of the HEA; 34 CFR 600.7(a)(1)(ii).)

Can this type of school award FSA program funds to correspondence, including telecommunications, students?

• If after the application of the appropriate formulas, the institution remains eligible, it may award aid to its resident students.

This type of institution may not award FSA funds to its correspondence (including telecommunications) students who are in certificate programs.

This type of institution may award FSA funds to its correspondence (including telecommunications) students who are in degree programs. (Keep in mind that the rules for awarding FSA to correspondence study students would be applicable.)

Example

How to count educational programs.

P.A. Institute provides educational programs in accounting, bookkeeping, and computer technology that lead to certificates. P.A. Institute also offers an educational program in computer programming that leads to an associate degree. All of the courses in P.A. Institute’s computer technology certificate program are creditable toward its associate degree program in computer programming.

P.A. Institute thus offers four educational programs, of which only one leads to an associate degree. Therefore, its one degree program is less than 50% of the total number of its educational programs. The fact that all the courses in P.A. Institute’s computer technology certificate program are creditable toward its computer programming associate degree is not relevant to that determination.

Institutional ineligibility cite

34 CFR 600.7(a)(1)(ii)
Sec. 102(a)(3)(A) of the HEA
3. Eligible institutions that provide educational certificate programs and degree programs where the number of eligible degree programs was at least 50% of the institution's total number of eligible education programs in its latest award year

Are telecommunications courses and students considered correspondence courses and students?

- **No**; for certificate programs of one year and more and all degree programs, telecommunications courses are not considered correspondence courses and telecommunications students are not considered correspondence students if the number of the institution's residential courses exceeds the sum of its correspondence and telecommunications courses. Put another way, telecommunications courses and students are not considered correspondence courses and students if the institution provides at least one more residential course than the sum of its correspondence and telecommunications courses.

- **Yes**, for certificate programs of less than one academic year, telecommunications courses are considered correspondence courses. (Sections 484(l)(1)(A) and 484(l)(B)(ii) of the HEA.)

- **Yes**, for certificate programs of one academic year or more and degree programs, telecommunications courses are considered correspondence courses and telecommunications students are considered correspondence students if the number of the institution's residential courses does not exceed the sum of its correspondence and telecommunications courses.

For this category of schools, what is the effect of offering correspondence courses on institutional eligibility?

- This type of eligible institution becomes ineligible if the number of correspondence courses, including telecommunications courses, it offers in its latest award year is more than 50% of the total courses it offers in that award year. (Sections 102(a)(3)(A) of the HEA and 484(l); 34 CFR 600.7(a)(1)(i) and 600.7(b).)

- This type of eligible institution becomes ineligible if the number of students enrolled in its correspondence courses during its latest award year equals 50% or more of the total number of enrolled students in that year. However, if the institution answered “No” to the question, *Are telecommunications courses and students considered correspondence courses and students*, the institution does not count students enrolled in its telecommunications courses as students enrolled in...
correspondence courses. (Sections 102(a)(3)(B) and 484(l) of the HEA; 34 CFR 600.7(a)(1)(ii) and 600.7(b).)

Can this type of institution award FSA program funds to correspondence, including telecommunications, students?

- Yes, this type of institution may award FSA funds to its correspondence students if those students are enrolled in degree programs. (Section 484(k) of the HEA) In addition, if the institution answered “No” to the question, Are telecommunications courses and students considered correspondence courses and students, the institution may award those funds to telecommunication students who are enrolled in any eligible degree or certificate program. (Section 484(l) of the HEA.)

**Determining Institutional Eligibility**

**Example 1**

School A offers residential programs on campus and one correspondence program that consists solely of correspondence courses. During the last completed award year, 60% of School A’s enrolled regular students were enrolled in the correspondence program.

School A loses its eligibility because at least 50% of its students were enrolled in correspondence courses and a school loses eligibility if at least 50% of its students are enrolled in correspondence courses.

**Example 2**

School B does not provide correspondence courses but it does provide telecommunications courses. The telecommunications courses are part of an educational program that leads to a bachelors degree. In fact, more than 50% of School B’s educational programs lead to bachelor’s degrees. The telecommunications courses make up only 5% of School B’s total courses, but 90% of School B’s enrolled regular students are enrolled in the telecommunications courses.

School B does not lose its eligibility because the students enrolled in the telecommunications courses are not considered enrolled in correspondence courses. The telecommunications courses are not considered correspondence courses because (1) more than 50% of School B’s courses are residential courses, (2) at least 50% of School B’s educational programs lead to a bachelor’s degree, and (3) the students enrolled in the telecommunications courses are enrolled in education programs leading to a bachelor’s degree.
STUDENT ELIGIBILITY

Are there any limits on a student’s eligibility for FSA program funds for attendance in correspondence courses?

A student enrolled in a correspondence program is eligible to receive FSA program funds provided the student is enrolled in a program leading to an associate, bachelor’s, graduate, or professional degree. A student enrolled in a correspondence program is not eligible to receive FSA program funds if the student is enrolled in a certificate or diploma program.

Remember however, that a student enrolled solely in correspondence study cannot be considered more than a half-time student no matter how many credits the student is taking.

Note: There is no comparable limitation on a student enrolled in telecommunications courses (unless of course, the telecommunications student is considered a correspondence student as discussed above).
Are there any limits on a student’s eligibility for FSA program funds for attendance in a telecommunications program?

There are no limits on the FSA eligibility of a student enrolled in telecommunications courses provided the program leads to an associate, bachelor’s, graduate, or professional degree, or is a certificate program that is at least one year in length. If the telecommunications courses are considered correspondence courses the aforementioned limits apply.

Cost of Attendance

What costs can be included in a student’s cost of attendance?

For a student enrolled in a correspondence program, the only costs that generally can be included in the student’s cost of attendance are tuition and fees and, if required, books and supplies. Travel and room and board costs can only be included if they are incurred specifically in fulfilling a required period of residential training.

A student who enrolled in a telecommunications program does not have any additional restrictions placed on his or her cost of attendance unless the financial aid officer determines that telecommunications instruction results in a substantially reduced cost of attendance.

The cost of equipment, such as a computer, can be included in the cost of attendance of a student taking courses through telecommunications. For correspondence students, the cost of a computer may be included in the cost of attendance if such equipment is required of all students in the same program.

Federal Pell Grant Program and Federal Supplemental Educational Opportunity Grant (FSEOG) Program disbursements

Are there any special disbursement rules that apply to students in correspondence courses?

Generally, Federal Pell Grant Program and FSEOG Program disbursements can be made up to 10 days before the first day of classes for a payment period. However, there are special rules for students enrolled in correspondence study programs.

FSEOG Program

A correspondence student must submit his or her first completed lesson before receiving an FSEOG payment.
Federal Pell Grant Program

For a non-term-based correspondence portion of a program of study the school must make –

- the first payment to a student for an academic year after the student submits 25% of the lessons, or otherwise completes 25% of the work scheduled for the program or the academic year, whichever occurs last; and

- the second payment after the student submits 75% of the lessons, or otherwise completes 75% of the work scheduled for the program or the academic year, whichever occurs last.

For a term-based correspondence portion of a program of study the school must make the payment to a student for a payment period after the student completes 50% of the lessons or otherwise completes 50% of the work scheduled for the term, whichever occurs last.
The Distance Education Demonstration Program was created to provide for increased student access to higher education through distance education programs and test the quality and viability of expanded distance education programs currently limited under this HEA. The Demonstration Program was further charged with helping to determine:

a. the most effective means of delivering quality education through distance education course offerings,

b. specific statutory and regulatory provisions needing modification to provide greater access to distance education programs, and

c. the appropriate levels of federal student assistance for students enrolled in distance education programs.

For schools in the demonstration program the Department is authorized to waive requirements related to computer costs for students enrolled in correspondence courses, the minimum number of weeks of instruction, the 50% limitations on correspondence courses and students, the provision that defines a telecommunications course as a correspondence course. The Department may also waive some General Provisions regulations (generally 34 CFR 668), that inhibit the operation of quality distance education programs, such as the definition of a full-time student, to the extent a student enrolled solely in correspondence courses is prohibited from being a full-time student and the application of a uniform standard of satisfactory academic progress to all students within categories of students and programs. The Department is not authorized to waive any of the program-specific regulations.

The program began on July 1, 1999. In the first year, the Department selected 15 participants. The Department was authorized to select up to 35 new participants (individual institutions, and systems and consortia of institutions) for the program beginning in the third year (2001). Nine new participants were selected in 2001 and five in 2003, bringing the total number selected to 29. Since its inception, five participants have voluntarily left the program and one was removed. The twenty-three current participants include eight private for-profit institutions; seven private non-profit institutions; four public universities; three consortia; and one public system. The Department does not anticipate additional participants. For selection procedures and other statutory requirements governing the Demonstration Program, see Section 486 of the HEA (20 U.S.C. 1093).

In January 2001, in July 2003, and in April 2005, the Department provided Congress with reports on the results of the project. These reports are available at —


In addition, the Department is required to provide additional annual reports to Congress regarding the demonstration programs.