
Updating Application Information

In this chapter, we will changes that can affect a school's participation and how and when to report these changes.

RECERTIFICATION

A school seeking to be recertified to continue to participate in the FSA programs is notified by the Department six months prior to the expiration of the institution's Program Participation Agreement (PPA). The school must submit a materially complete application before the expiration date listed in its PPA.

Generally, if an institution's eligibility lapses the institution may not continue to disburse FSA funds until it receives the Department's notification that the institution again is eligible to participate in the programs.

If the school submits its materially complete application to the Department no later than 90 calendar days before its PPA expires, its eligibility to participate in the FSA programs continues until its application is either approved or not approved. This is true even if the Department does not complete its evaluation of the application before the PPA's expiration date. (For example, if a school's PPA expires on June 30 and it submits its application by April 1, the school remains certified during the Department's review period—even if the review period extends beyond June 30.) If the 90th day before the PPA's expiration falls on a weekend or a federal holiday and the school submits its application no later than the next business day, the Department considers the application to be submitted 90 days before the PPA expires. If the school's application is not received at least 90 days before the PPA expires or is not materially complete, the school's PPA will expire on the scheduled expiration date and the FSA program funding will cease.

If a school is certified (and is seeking recertification), it will remain certified during the review period if it submitted a materially complete application within the correct time frame.

Expiration of certification
Sec. 498(g)

Lapse of eligibility cite
34 CFR 600.20(f)(i)

Extension of eligibility cite
34 CFR 600.20(f)(ii)

The FSA Assessment modules that can assist you in understanding and assessing in your compliance with the provisions of this chapter are "Recertification," at

<http://ifap.ed.gov/qamodule/RecerModule/Recertificationpage2.html>

"Change in Ownership," at

<http://ifap.ed.gov/qamodule/OwnershipModule/ChangeInOwnership.html>

and "Additional Locations," at

<http://www.ifap.ed.gov/qadocs/InstitutionalEligibility/Activity7IE.doc>

Clarification

Following submission of an application, the Case Team will contact the school if it has additional questions about the application. Generally, this will be within 90 days of the Department receiving an application. After completing its review, if a school’s application has been approved, the Department will send an electronic notice to the president and financial aid officer notifying them that the school’s PPA is available to print, review, sign, and return. If the school’s application has not been approved, we will notify the school and explain why.

The school’s certification period is up to six years.

CHANGE IN OWNERSHIP OF FOR PROFIT AND NONPROFIT INSTITUTIONS

A school that undergoes a change in ownership that results in a change of control, structure, or governance

A change in ownership that results in a change of control occurs when a person or corporation with an ownership interest in the entity that owns the institution, or parent corporation of that entity, acquires or loses control of the institution. This includes, but is not limited to, the following *covered transactions*:

1. the sale of the school;
2. the transfer of the controlling interest of stock of the school or its parent corporation;
3. the merger of two or more eligible schools;
4. the division of one school into two or more schools;
5. the transfer of the liabilities of a school to its parent corporation;
6. a transfer of assets that comprise a substantial portion of the educational business of the school, except if it is exclusively in the granting of a security interest in those assets; or
7. a conversion of the school from a for profit to a nonprofit school or a nonprofit to a for profit.

Change in controlling interest

A change in ownership and control occurs when a person or corporation obtains new authority to control a school’s actions, whether the school is a proprietorship, partnership, or corporation. A change in ownership that results in a change in control includes any change through which a person

- acquires an ownership interest in the entity that owns the institution or the parent corporation of that entity, or

Changes in ownership, structure, or governance cite

Sec. 498(i)
34 CFR 600.31

Electronic submission required

Changes to previous applications, changes in ownership, reporting, expanding eligibility and certification, and applications for initial certification, recertification, and reinstatement must be submitted to the Department electronically through the Internet (see chapter 5).

Training requirement after a change in ownership or control

If after a change in ownership or control the financial aid administrator and/or the chief administrator have not changed, the institution may request a waiver of the training requirement from its case management team. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

Change in controlling interest cite

34 CFR 600.31(a)

- who owns or acquires an ownership interest attains or loses the ability to control the institution. The most common example of this change in controlling interest is when the school is sold to a prospective owner.

A change in ownership and control of a corporation that is neither closely held nor required to be registered with the Securities Exchange Commission (SEC) occurs when a person who has or acquires an ownership interest acquires both control of at least 25% of the total outstanding voting stock of the corporation and managing control of the corporation.

This does not include a transfer of ownership and control to a member of the owner's family (whether or not the family member works at the institution) as defined below:

1. parent, stepparent, sibling, step-sibling, spouse, child or stepchild, grandchild or step-grandchild;
2. spouse's parent or stepparent, sibling, step-sibling, child or stepchild, or grandchild or step-grandchild;
3. child's spouse; and
4. sibling's spouse.

Nor does it include a transfer of ownership and control, upon the retirement or death of the owner, to a person (who is not a family member) with an ownership interest in the school who has been involved in management of the school for at least two years preceding the transfer, and who has established and retained the ownership interest for at least two years prior to the transfer.

These are known as *excluded transactions*, and they apply only to the transfer of a portion of the owner's interest in its entirety.

In these situations, the school must notify the Department of the change and provide any supporting information the Department requests.

Change in ownership for publicly traded corporations

For publicly traded corporations, a change in ownership and control occurs when

- a person acquires such ownership and control of the corporation such that the corporation is required to file a Form 8K with the Securities and Exchange Commission notifying that agency of the change in control; or
- a person who is a controlling shareholder of the corporation ceases to be a controlling shareholder.

Family defined

34 CFR 660.8

Excluded Transactions

34 CFR 600.31(e)(1) and (2)

Change in ownership for a publicly traded corporation cite

34 CFR 600.31(c)(2)

A controlling shareholder is a shareholder who holds or controls through agreement **both** 25% or more of the total outstanding voting stock of the corporation and more shares of voting stock than any other shareholder. A controlling shareholder for this purpose does not include a shareholder whose sole stock ownership is held as a U.S. institutional investor, held in mutual funds, held through a profit-sharing plan, or held in an Employee Stock Ownership Plan (ESOP).

For a publicly traded corporation, when a change of ownership occurs, instead of a *same-day balance sheet*, the institution may submit its most recent quarterly financial statement as filed with the SEC. Together with its quarterly financial statement, the institution must submit copies of all other SEC filings made after the close of the fiscal year for which a compliance audit has been submitted to ED.

Consider a publicly traded institution that is provisionally certified and then experiences another change of ownership. If any controlling shareholder on the second change of ownership application was listed on the change of ownership application for which the original provisional approval was granted, approval of the subsequent change in ownership does not extend the expiration date for the original provisional certification.

Steps to be taken by former owners

If a school is changing control, the former owners must notify the Department about the change and the date it occurs. This must be at the same time that the owner notifies the school's accrediting agency, but no later than 10 days after the change occurs. (If the former owner fails to notify the Department, the prospective owner is responsible for doing so.) The current owner also should notify the state agency that licenses or approves the school.

Steps to be taken by prospective owners

The prospective owner should request that the former owner provide copies of the school's existing Eligibility and Certification Approval Report (ECAR), institutional refund policy, return of FSA funds policy, any required default management plan, program reviews, audited financial statements (for at least the two most recently completed fiscal years), and compliance audits. The prospective owner will need this information to receive approval to participate.

Accompanying the application must be audited financial statements for the school's two most recently completed fiscal years, an audited balance sheet showing the financial condition of the school at the time of the change, and a default management plan, if required. Each participating school must demonstrate financial responsibility independently. If the entity that has acquired the school is an ongoing

entity (partnership or corporation), the school must also submit completed audited financial statements of the acquiring entity for the last two consecutive fiscal years. For information on financial responsibility and submitting audited financial statements, see chapters 11 & 12.

The school also must submit proof that its accreditation is continued under the new ownership or control, along with a photocopy of its state legal authorization under the new ownership.

The school may not award FSA program funds until it receives a PPA signed on behalf of the Secretary.

Accepting liabilities and return of funds policy

If the prospective owners acquired the school or if the school is the result of a merger of two or more former schools, the prospective owner is liable for any debts from the former owner's FSA program administration. The prospective owner accepts liability for any federal funds that were given to the school but that were improperly spent before the date the change in ownership, structure, or governance became effective. The prospective owner must also abide by institutional refund and the FSA Return of Funds policy for students enrolled before the date the change became effective and must honor all student enrollment contracts signed before the date of the change.

Payments to eligible students

Before the change in ownership, structure, or governance takes place, the former owner should make sure that all students receive any FSA payments already due them for the current payment period and that all records are current and comply with federal regulations. If the school needs additional funds for its students for the current payment period, it should request them and disburse them to all eligible students before the change takes place.

The school loses its approval to participate in the FSA programs when the change takes place. Generally, a school may:

- use Pell Grant or campus-based funds that it has received or request additional Pell Grant or campus-based funds from the Department to satisfy any unpaid commitment made to a student from the date the school's participation ended until the scheduled completion date of the payment period; and
- credit a student's account with the proceeds of a second or subsequent disbursement of an FFEL, Stafford, or Direct Loan to satisfy any unpaid commitment made to the student under the FFEL, Stafford, or Direct Loan Program from the date participation ends until the scheduled completion of that period of enrollment. (The proceeds of the first disbursement of the loan must have been delivered to the student or credited to the student's account prior to the end of the participation.)

The school must notify all new students that no federal aid funds can be disbursed until the school's eligibility is established and a new PPA signed by the Department is received.

The school may not award the FSA program funds beginning on the date that the change becomes effective. If the school's prospective owners wish the school to participate in one or more of the FSA programs, the school must submit a materially complete application to the Department.

The application process for a school undergoing a change in ownership is substantially different from the other types of processes described previously, because **the participation in the FSA programs of a school undergoing a change in ownership stops on the day of the change.** The school may not award FSA program funds beginning on the date that the change becomes effective until it receives a new PPA signed on behalf of the Secretary of Education. (Exceptions for unpaid commitments of FSA program funds are discussed under *Payments to Eligible Students*). The school can take advantage of two new options that are now available. They are the preacquisition review and temporary provisional approval after the change in ownership. These are described below.

Preacquisition review

Schools may submit an Application marked *preacquisition review* before a change in ownership takes place. The purpose of this review is to determine whether the school has answered all the questions completely and accurately. A preacquisition review application must be submitted at least 45 days prior to the expected date of the transaction. The Case Management Team (CMT) will notify the school of the results of the review. However, the school will not be given a decision whether or not its application would be approved as a result of this preacquisition review. Please note that a preacquisition review is **not** required; it is an option.

If the potential owner decides not to purchase the school, he or she must notify the Case Management Team of the decision to withdraw the application.

If the potential owner considering the change in ownership decides to go through with the purchase, he or she must:

- notify the Department within 10 days of the date the change in ownership actually took place (If this date falls on a weekend or a federal holiday, the notification may be no later than the next business day.); and
- submit the supporting documents required for a materially complete application. (Refer to section "M" of the Application for the list of specific forms to submit.)

Temporary approval for continued participation on provisional certification after change in ownership

The 1998 Amendments, §498(i)(4) of the HEA, authorizes the Secretary to permit a school undergoing a change in ownership that results in a change in control to continue to participate in the FSA programs on a provisional basis if the school meets the following specific requirement.

The school must submit a materially complete application that must be received by the Department no later than 10 business days after the change becomes effective. A materially complete application for the purpose of applying for a temporary approval must include:

- a fully completed application form;
- a copy of the school’s state license or equivalent that was in effect on the day before the change in ownership took place;
- a copy of the accrediting agencies approval (in effect on the day before the change in ownership) that granted the school accreditation status including an approval of the nondegree programs it offers;
- financial statements of the school’s two most recently completed fiscal years that are prepared and audited in accordance with the requirements of the Generally Accepted Accounting Principles (GAAP), published by the Financial Accounting Standards Board, and the Generally Accepted Governmental Auditing Standards (GAGAS) published by the U.S. General Accounting Office (submitted via eZ-Audit at <https://ezaudit.ed.gov>);
- audited financial statements for the school’s new owner’s two most recently completed fiscal years that are prepared and audited in accordance with GAAP and GAGAS, or acceptable equivalent information for that owner (submitted via eZ-Audit at <https://ezaudit.ed.gov>); and
- a completed signature page, Section L.

Audit cite
34 CFR 668.23

The supporting documents must be sent to:

**U.S. Department of Education
Student Eligibility Channel
Data Management and Analysis Division
Document Receipt and Control Center
830 First Street, NE
Room 71-I-1
Washington, DC 20002-5402**

**Phone (for this purpose only) (202) 377-3161 or
(202) 377-3155**

If the application is approved, CMT will send the school a Temporary Provisional Program Participation Agreement (Temporary PPA). The Temporary PPA extends the terms and conditions of the PPA that were in effect for the institution before its change of ownership.

The Temporary PPA expires on the earlier of the:

- date that the Department signs a new program participation agreement;
- date that the Department notifies the school that its application is denied; or
- last day of the month following the month in which the change of ownership occurred unless the school provides the necessary documents described below.

The Department can automatically extend the Temporary PPA on a month-to-month extension, **if** prior to the expiration date, the school submits:

- a *same day* balance sheet showing the school's financial position on the day the ownership changed, prepared in accordance with GAAP and audited in accordance with GAGAS;
- if not already provided, approval of the change of ownership from the school's state agency that legally authorizes postsecondary education in that state;
- if not already provided, approval of the change of ownership from the school's accrediting agency; and
- unless the school is exempt from providing one, a default management plan that follows examples provided by the Department, or notification that it is using ED's plan.

Effect of cohort default requirements

An institution that has undergone a change in ownership that results in a change in control and is participating in the FFEL or Direct Loan programs does not have to submit a default management plan if:

- the institution, including its main campus, and any branch campus, does not have a cohort default rate in excess of 10%; and
- the owner of the institution does not own and has not owned any other institution that had a cohort default in excess of 10% while that owner owned the institution.

Audits and closeout procedures

Although a separate financial aid compliance audit is not required when there is a change in ownership, structure, or governance, the prospective owner may choose to have the accounts audited before they are closed out. Any questions about FSA accounts or closeout procedures can be answered by the Department's Financial Management Specialists for the Pell Grant, campus-based, Direct Loan, or FFEL program. The prospective owner also should check with the Department's appropriate case management team for information on whether the school owes the Department any liabilities as a result of program reviews or audits (see chapter 12).

Changes at public institutions

The Department does not consider that a public institution has undergone a change in ownership that results in a change of control if there is a change in governance and the institution after the change remains a public institution, provided:

- the new governing authority is in the same state as included in the institution's program participation agreement; and
- the new governing authority has acknowledged the public institution's continued responsibilities under its program participation agreement.

Within 10 days of undergoing a change in governance however, public institutions must **report** that change to the Department. The institution must also explicitly acknowledge its continued responsibilities under its Program Participation Agreement (PPA). If the documentation transferring control of a public institution to another instate entity does not specifically acknowledge the aforementioned responsibilities, the institution must acknowledge them in a separate letter or notice.

An eligible nonparticipating institution

Since they are not administering federal student aid, nonparticipating eligible institutions are only required to renew their eligibility when the Department requests. Otherwise, their eligibility status continues indefinitely.

A nonparticipating eligible institution wishing to be designated an eligible nonparticipating institution may submit an application to the Department at any time. The application must be materially complete.

Following submission of an application, the Department will contact the school if it has additional questions about the application. Generally, this will be within 90 days of the Department receiving an application.

Change in ownership or control
at a public institution cite
34 CFR 600.31(c)(7)

Reapplication by
nonparticipating eligible
institutions cite
34 CFR 600.20(b)(1)

Electronic submission required

Changes to previous applications, changes in ownership, reporting, expanding eligibility and certification, and applications for initial certification, recertification, and reinstatement must be submitted to the Department electronically through the Internet (see chapter 5).

SUBSTANTIVE CHANGES AND HOW TO REPORT THEM

A school is required to report changes to certain information on its approved application. A school may also wish to expand its FSA eligibility and certification. Some of these changes require the Department's written approval before the school may disburse the FSA program funds, others do not.

Changes requiring the Department's written approval

(The number in parentheses refers to the number of the question on the Application.)

All schools must report and wait for approval before disbursing funds when the following occur

1. a change in accrediting agency (notify the Department, when you **begin** making any change that deals with your school's institution-wide accreditation (#15);
2. a change in state authorizing agency (#17);
3. a change in institutional structure (#18);
4. an increase in the level of educational programs beyond the scope of current approval (#26);
5. the addition of nondegree programs beyond the scope of current approval (#27);

Note: For schools subject to the two-year rule, during the school's initial period of participation in the FSA programs, the Department will not approve additional programs that would expand the scope of the institution's eligibility.

6. the addition of short-term (300-599 clock hour) programs (#27);
7. changes to the FSA programs for which the school is approved (Approvals from your accrediting agency and state authorizing agency are **not** required for this change.) (#37);
8. a change in the type of ownership (#22);
9. a change in ownership (#24); and
10. adding a location (see *Adding locations* later in this chapter), and when a school (#30)
 - a. is provisionally certified; or
 - b. is on the cash monitoring or reimbursement system of payment; or
 - c. has acquired the assets of another institution that provided educational programs at that location during the preceding year, and the other institution participated in the FSA programs during that year; or

- d. would be subject to a loss of eligibility under the cohort default rate regulations (34 CFR 668.188) if it adds that location; or
- e. has been advised by the Department that the Department must approve any new location **before** the institution may begin disbursing FSA program funds.

When one of the changes that requires the Department's written approval occurs, a school must notify the Department

The school must apply to the Department for approval of the change via the electronic application within 10 calendar days of the change. As soon as the school has received approvals for the change from its accrediting agency and state authorizing agency, it must send to the Department:

- copies of the approval for the change,
- any required documentation, and
- Section L of the Application containing the original signature of the appropriate person.

Changes not requiring the Department's written approval

All schools must report the following information to the Department

- change to name of school* (#2)
- change to the name of a CEO, president, or chancellor (#10)
- change to the name of the chief fiscal officer or chief financial officer (#11)
- change in the individual designated as the lead program administrator for the FSA programs (#12)
- change in governance of a public institution (#24)
- a decrease in the level of program offering (e.g., the institution drops all its graduate programs) (#26)
- change from or to clock hours or credit hours (#27)
- address change for a principal location* (#29)
- name change for other locations* (#30)
- address change for other locations* (#30)
- the closure of a branch campus or additional location that the institution was required to report (#30)
- adding a location unless the school meets the conditions specified on the previous page (34 CFR 600.20(c)(1)) (#30)

- change to the school's third-party servicers that deal with the FSA program funds (#58)

*As soon as it has received approvals for the change from its accrediting agency and state authorization agency, a school must send the Department copies of the approvals for change.

Foreign schools only (including foreign graduate medical schools)

- change to postsecondary authorization (#42)
- change to degree authorization (#43)
- change to program equivalence (#44)
- change to program criteria (#45)
- change to U.S. administrative or recruitment offices (#46)

Foreign graduate medical schools only

- change to facility at which school provides graduate medical instruction (#47)
- change to authorizing entity (#48)
- change to approval of authorizing entity (#49)
- change to length of program (#50)
- change to programs located in the United States (#51)

When one of these changes occurs, a school must notify the Department by reporting the change and the date of the change to the Department via the E-App within 10 calendar days of the change. In addition, a school must send to the address below

- any required supporting documentation, and
- Section L of the Application containing the original signature of the appropriate person.

The supporting documents must be sent :

**U.S. Department of Education
Student Eligibility Channel
Data Management and Analysis Division
Document Receipt and Control Center
830 First Street, NE
Room 71-I-1
Washington, DC 20002-5402**

Phone (for this purpose only) (202)377-3630

Note: For a change requiring written approval from the Department (unless otherwise noted) and for some changes that do not require written approval from the Department, a school must obtain approval from the appropriate accrediting agency and state authorizing agency.

If a change occurs in an Application item not listed, the school must update the information when it applies for recertification.

When the Department is notified of a change, if further action is needed, it will tell the school how to proceed, including what materials and what additional completed sections of the Application need to be submitted. If a school has questions about changes and procedures, it should contact Case Management and Oversight.

After receiving the required materials (and depending on the circumstances), the Department will evaluate the changes either approving or denying the change and notify the school.

ADDING LOCATIONS

The Eligibility and Certification Approval Report (ECAR) that the Department sends to the school lists the educational programs and locations that are eligible. (The eligibility of a school and its programs does not automatically include separate locations and extensions.) If, after receipt of the ECAR, a school wishes to add a location at which at least 50% of an educational program is offered, it must notify the Department.

Eligibility of additional locations

An *additional location* is a location of an institution that was not designated as an eligible location in the institution's ECAR. For purposes of qualifying as an eligible location, an additional location is not required to satisfy the two-year requirement unless:

1. the location was a facility of another institution that has closed or ceased to provide educational programs for a reason other than a normal vacation period or a natural disaster that directly affects the institution or the institution's students;
2. the applicant institution acquired, either directly from the institution that closed or ceased to provide educational programs, or through an intermediary, the assets at the location; and
3. the institution from which the applicant institution acquired the assets of the location:
 - a. owes a liability for a violation of an HEA program requirement; and
 - b. is not making payments in accordance with an agreement to repay that liability.

An additional location that fell into one of the aforementioned categories is not required to satisfy the two-year requirement if the applicant institution agrees:

1. to be liable for all improperly expended or unspent FSA funds received by the institution that has closed or ceased to provide educational programs;
2. to be liable for all unpaid refunds owed to students who received FSA funds; and
3. to abide by the policy of the institution that has closed or ceased to provide educational programs regarding refunds of institutional charges to students in effect before the date of the acquisition of the assets of the additional location for the students who were enrolled before that date.

Each site must be legally authorized. To apply for a determination of eligibility for an added location, the school must send the Department the required application sections, a copy of the accrediting agency's notice certifying that the new location is included in the school's accredited status, and a copy of the state legal authorization from the state in which the additional site is physically located.

Reporting a new location

Reporting cite
34 CFR 600.21

All schools are required to report to the Department adding an additional accredited and licensed location where they will be offering 50% or more of an eligible program if the school wants to disburse FSA program funds to students enrolled at that location.

Disbursing prohibited cite
34 CFR 600.21(d)

Schools must not disburse FSA program funds to students at a new location before the school has reported that location and submitted any required supporting documents to the Department. Once it has reported a new licensed **and** accredited location, unless it is a school that is required to apply for approval for a new location (see below), a school may disburse FSA program funds to students enrolled at that location.

Applying for approval of a new location

Approval required cite
34 CFR 600.20(c)(1)

If an institution meets one or more criteria, it must **apply for and wait for approval** before disbursing FSA program funds at an additional location where it will be offering 50% or more of an eligible program.

Disbursing prohibited cite
34 CFR 600.20(f)(3)

A school must also apply and wait for approval from ED before disbursing funds, if the institution:

1. is provisionally certified;
2. is on the cash monitoring or reimbursement system of payment;

3. has acquired the assets of another institution that provided educational programs at that location during the preceding year, and the other institution participated in the FSA programs during that year;
4. would be subject to a loss of eligibility under the cohort default rate regulations (34 CFR 668.188) if it adds that location; or if
5. the Department previously prohibited the institution from disbursing FSA program funds without prior approval.

The Department will review the information and will evaluate the school's financial responsibility, administrative capability, and eligibility. Depending upon the circumstances, the Department may conduct an on-site review. If it approves the additional location, a revised ECAR and Approval Letter will be issued. The location is eligible as of the date of the Department's determination.

ADDING PROGRAMS

Adding a program — when a school may make eligibility determination

If a school adds an educational program after receiving its ECAR, there are two cases in which the school itself may determine the program's eligibility:

- the added program leads to an associate, bachelor's, professional, or graduate degree (and the school has already been approved to offer programs at that level); or
- the added program provides at least a 10-week (of instructional time) program of 8 semester hours, 12 quarter hours, or 600 clock hours, and prepares students for gainful employment in the same or related recognized occupation as an educational program that the Secretary already has designated as an eligible program at the school.

Before the school may determine these programs to be eligible and disburse funds to enrolled students, the school must have received both the required state and accrediting agency approvals.

If the school wishes to add a program that is at least 300 clock hours but less than 600 clock hours, the school must apply for and wait for written approval from the Department before awarding FSA funds to students in the program.

Clarification

Important: If the school's self-determination of eligibility for an educational program is found to be incorrect, the school is liable for all FSA program funds received for the program and all FSA program funds received by or for students enrolled in that program.

ED must approve all other added programs

In all other cases, the eligibility of an added educational program must be determined by the Department before the FSA program funds can be awarded. The school must submit the required Application sections and a copy of approval of the new program from its accrediting agency and state authorizing agency. The Department will evaluate the new program and the school. If the Department approves the additional program, a revised ECAR and Approval Letter is issued for the school, and the school is eligible as of the date of the Department's determination. Only after receiving an Approval Letter may the school begin disbursing FSA funds to students enrolled in the program. For more on program eligibility, see chapters 4 & 5.

A change in enrollment thresholds

The law establishes maximum percentages of telecommunication and correspondence courses, students enrolled under ability-to-benefit provisions, and incarcerated students at a participating school. If there is a change to any of a school's answers to the Yes/No questions in Section G of a submitted application (which deal with enrollment thresholds in these areas), the school must notify the Department via the E-App. The Department will advise the school of its options, including whether the school might be eligible for a waiver.

CHANGING THE STATUS OF A CAMPUS OR BRANCH

Changing from a non-main campus to a branch campus

If an institution wishes to seek approval for a non-main campus educational site as an eligible branch, the institution must submit a completed application with the required supplemental documentation on (1) the *main* institution and (2) the *non-main* campus educational site.

The following required supplemental documentation must be submitted for the Case Management Team to make a determination as to whether a non-main campus educational site is an eligible branch campus:

- a statement regarding the geographical distance between the main institution and the applicant non-main campus educational site;
- state authorization of the quasi-independent status of the non-main campus educational site from the main institution in any of the following forms:
 - a. applicable state law,
 - b. state charter,

- c. university system organization documentation, or
- d. state department of education or state board of regents regulations or documentation.

Regardless of the type of documentation, there must be an explicit description of the quasi-independent status of the non-main campus educational site.

- state authorization (in any of the four forms above) for the non-main educational site to have and maintain its own faculty and administrative staff, its own operating budget, and its own authority to hire and fire faculty and staff;
- an official statement describing its hiring authority;
- a statement from the main institution's primary accrediting agency indicating that it has accredited both the main institution and the non-main educational site through separate on-site visitations, and that the non-main educational site's accreditation is distinct yet dependent upon the main institution;
- a specific description of the relationship between a main campus of an institution of higher education and all of its branches, including a description of the student aid processing that is performed by the main campus and that is performed at its branches;
- the operating budget of the non-main campus educational site for the current year and the two prior fiscal years;
- consolidated financial statements for the prior two years showing a breakdown of the applicant's financial circumstances; and
- other documents requested by the Case Team.

Changing from a branch campus to a freestanding main campus

A branch campus of an eligible proprietary institution of higher education or postsecondary vocational institution must be in existence for at least two years (after it is certified in writing by the Department as a branch campus) before seeking to be designated as a main campus or a freestanding institution.

DISBURSEMENT RULES RELATED TO APPLICATIONS FOR NEW LOCATIONS AND PROGRAMS

If an institution fails to apply for approval or fails to obtain approval of a new location, branch, program, or increase in program offering, and the Department does not approve the new location, branch, program, or increase in program offering, the institution is liable for all FSA program funds it disburses to students enrolled at that location or branch or in that program.

CHANGES IN ACCREDITATION

If a school decides to change its accrediting agency, it must notify Case Management Team (CMT) when it begins the process of obtaining accreditation from the second agency. As part of this notice, the school must submit materials relating to its current accreditation and materials demonstrating a reasonable cause for changing its accrediting agency. If a school fails to properly notify the Department, the Department will no longer recognize the school's existing accreditation.

If a school decides to become accredited by more than one institutional accrediting agency, it must submit to CMT (and to its current and prospective agency) the reasons for accreditation by more than one agency. This submission must be made when the school begins the process of obtaining the additional accreditation. If a school obtains additional accreditation and fails to properly submit to the Department its reasons for the additional accreditation, the Department will not recognize the school's accredited status with either agency.

If the Department ceases to recognize a school's accreditation, the school is no longer eligible to award FSA program funds or take part in other programs under the Higher Education Act of 1965, as amended.

If a school becomes accredited by more than one agency, it must notify CMT which agency's accreditation the school will use for the purpose of determining the school's institutional eligibility for the FSA programs.

Loss of accreditation

If a school loses its primary accreditation, it is ineligible to participate in the FSA programs and must notify the Department within 10 days of the loss of accreditation. (*For any dispute involving the termination of accreditation, an accredited or preaccredited school must agree to submit to binding arbitration before initiating any other legal action.*) The required notification must be made on-line through the electronic application found at

<http://www.eligcert.ed.gov>

(for a description of the Electronic Application Process (E-App) see chapter 2). However, if a school's accrediting agency loses its recognition from the Department, the school has up to 18 months in which to obtain accreditation from another recognized agency. Other changes in accreditation may also jeopardize institutional participation.

Change in institution-wide accreditation

If the school decides to change its institution-wide accreditation, it must notify the Department of Education when it begins the accreditation application process with a different agency. (Note that it must also notify the Department when it completes the process.) As part of the notice, the school must submit materials about its current accreditation and materials demonstrating reasonable cause for changing accreditation. If the school fails to notify the Department of the proposed change to its institution-wide accreditation, or if the school does not provide the materials just described, the Department will not recognize the school's existing accreditation. If this happened, or if the school dropped its association with its former accreditor before obtaining Department approval of the change, the school would no longer have accredited status, and would no longer be eligible to award federal student financial aid or take part in other programs under the HEA .

Therefore, when a school secures new institution-wide accreditation it must notify the Department using the on-line electronic application (E-App). At that time, it must advise the Department which accrediting agency will be its accreditor for purposes of Title IV gatekeeping. Only after the Department provides written notice that it recognizes the new accreditor as the institution's primary accreditor should the institution drop its association with its prior accreditor.

Changing accrediting agencies cite
34 CFR 600.11

Clarification

Changing to accreditation by more than one institution-wide accrediting agency

If the school decides to become accredited by more than one institution-wide accrediting agency, it must notify the Department when it begins the process of obtaining additional accreditation. As part of the notice, the school must report (in question 15 of the *Application for Approval to Participate in Federal Student Financial Aid Programs* (Application/E-App)) its current institution-wide accrediting agency, the prospective institution-wide accrediting agency, and the reason (in question 69 of the *Application/E-App*) it wishes to be accredited by more than one agency. If the school obtains the additional institution-wide accreditation and fails to notify the Department of the reasons for the additional accreditation, the Department will not recognize the school's accredited status with either agency. This means the school would lose its accredited status and its eligibility to award federal student financial aid or take part in other programs under the HEA.

NOTIFICATION OF SCHOOL CLOSURE OR BANKRUPTCY

If a school closes or files for bankruptcy, the school must notify the Department within 10 calendar days of either event by sending a letter on the school's letterhead that indicates the date the school closed or plans to close, or the date the school filed for bankruptcy, as appropriate.

CHANGES IN OWNERSHIP INTEREST AND 25% THRESHOLD

Ownership or ownership interest means a legal or beneficial interest in an institution or its corporate parent, or a right to share in the profits derived from the operation of an institution or its corporate parent. The school must report any change in ownership interests whenever:

- an owner acquires a total interest of 25% or greater;
- an owner who held 25% or greater interest reduces his or her interest to less than 25%; or
- an owner of 25% or greater interest increases or reduces his or her interest but remains the holder of at least 25% ownership interest.

Because of these reporting requirements, even though transferring ownership interest through death or retirement may be excluded from being considered a change in ownership resulting in a change of control, the resulting change in percentages of ownership interests must be reported to the Department.

25% Threshold cite
34 CFR 600.31(c)(2)(a)

Ownership or ownership interest does not include an ownership interest held by:

1. a mutual fund that is regularly and publicly traded;
2. a U.S. institutional investor as defined by the Securities and Exchange Commission;
3. a profit-sharing plan of the institution or its corporate parent (provided that all full-time permanent employees of the institution or corporate parent are included in the plan);
or
4. an Employee Stock Ownership Plan (ESOP).

A school must report any changes that result in an individual or owner (including a corporation or unincorporated business entity) acquiring the ability to substantially affect the actions of the school. Such a change must be reported within 10 days of the change. A school owned by a publicly traded corporation must report the change within 10 days after the corporation learns of the change. Adherence to these requirements is enforced during the institutional participation approval process, program reviews, and audit process. All schools are bound by these reporting requirements, and substantial penalties may be imposed on schools that fail to comply with them.

An individual or corporation has the ability to substantially affect the school's actions when he, or she, or it –

- personally holds, or holds in partnership with one or more family members, at least a 25% ownership interest in the school;
- personally represents (with voting trust, power of attorney, or proxy authority), or represents in partnership with one or more family members, any individual or group holding at least a 25% ownership interest in the school;
- is the school's general partner, chief executive officer (or other executive officer), chief financial officer, individual designated as the lead program administrator for the FSA programs at the institution, or a member of the school's board of directors; or
- is the chief executive officer (or other officer) for any entity that holds at least 25% ownership interest in the school, or is a member of the board of directors for such an entity.

To ensure that its FSA program participation isn't jeopardized, a school must report to the Department an ownership change (including the names of persons involved). On receiving the notification, the Department will investigate and notify the school whether a change in ownership resulting in a change of control has occurred that will require the school to submit a materially complete application if it wishes to participate in the FSA programs.

UPDATING THE APPLICATION

(A Quick Reference)

For This Action	Update Item
a change in accrediting agency (notify the Department, when you begin making any change that deals with your school's institution-wide accreditation)*	15
a change in state authorizing agency*	17
a change in institutional structure*	18
an increase in the level of programs beyond the current scope*	26
adding a nondegree program beyond the current scope*	27
adding a short-term program (300-599 clock hours)*	27
changing the FSA programs for which the school is approved*	37
changing the type of ownership*	22
change in ownership*	24
adding a location*	30
changing the school's name	2
change to the name of the CEO, president, or chancellor	10
change to the name of the chief financial officer (CFO)	11
change in the lead FSA administrator (FAA)	12
change in governance of public institution	24
decrease in level of program offerings	26
change from clock to credit hours	27
address change for principal location	29
name or address change for other locations	30
closure of branch campus or location that had to be reported	30
change in third party FSA servicer	58
For foreign schools, change to postsecondary authorization	42
change to degree authorization	43
change to program equivalence	44
change to program criteria	45
change to U.S. administrative or recruiting office	46

* When this occurs, you must wait for approval before disbursing funds.

UPDATING THE APPLICATION

(A Quick Reference)

For This Action	Update Item
For foreign graduate medical schools, changes to	
facility at which you provide instruction	47
authorizing entity	48
approval of authorizing entity	49
length of program	50
clinical or medical instruction provided in U.S.	51
change to address for FSA mailings to an address different than the legal street address	13
change to address for FSA mailings to an additional location that is different than the legal street address	30
change of Taxpayer Identification Number (TIN)	6a
change of DUNS number	6b
change in board members	20
reporting foreign gifts (see chapter 12)	69
change to institution's Web site	9
change of phone/fax/E-mail of CEO, president, or chancellor	10
change of phone/fax/E-mail of CFO	11
change of phone/fax/E-mail of FAA	12

