APPLYING TO PARTICIPATE

Overview

A school must be certified by the Department to participate in any of the FSA programs—

- Federal Pell Grant Program
- Academic Competitiveness Grant and National SMART Grant Programs
- Federal Direct Loan Program
- Federal Family Education Loan (FFEL) Program, and
- Campus-Based programs (Federal Supplemental Educational Opportunity Grant [FSEOG], Federal Work-Study [FWS], and Federal Perkins Loan)

To begin the certification process, a school must submit an Electronic Application for Approval to Participate in the Federal Student Aid Programs (E-App) to the Department.

The E-App collects information that allows the Department to examine three major factors about the school: institutional eligibility, administrative capability, and financial responsibility. These subjects are discussed in detail in chapters 1, 3, 4, 10 and 11. In addition, a school can use the E-App to apply for participation in either or both the FFEL and Direct Loan programs.

In evaluating the school and deciding whether to approve or deny the request to participate in any FSA program, the Department examines the E-App and accompanying submissions. In addition, for schools that are participating or have participated in the FSA programs, the Department will examine a school’s compliance audits, financial statements, and program reviews. The Department also will check to see if a school has submitted all the required financial statements and compliance audits. The Department may request additional materials (such as those containing the school’s satisfactory academic progress policy, admissions policies, and refund policies) and ask additional questions.
The Electronic Application (E-App)

A school must use the **E-App** when it—

- wishes to be designated as an *eligible institution* so that its students may receive deferments under the FSA programs, its students may be eligible for the Hope and Lifetime Learning Tax Credit, or so that the school may apply to participate in federal HEA programs other than the FSA programs;
- wishes to be approved for the first time (initial certification) to participate in the FSA programs;
- wishes to be reapproved (*Recertification*) to participate in the FSA programs (discussed in chapter 5);
- wishes to be reinstated to participate in the FSA programs (discussed in chapter 5);
- undergoes a change in ownership, a conversion from a for-profit institution to a nonprofit institution or vice versa, or a merger of two or more institutions (referred to collectively as a *change in ownership, structure, or governance* for the remainder of the chapter) and wishes to participate in the FSA programs (discussed in chapter 5);
- must update information previously reported (discussed in chapter 5); or
- wishes to expand its FSA eligibility and certification (discussed in chapter 5).

The date of submission for an E-App is the date a school uses the **Submit Application** page to electronically submit the E-App or the date the signature page and supporting documents were postmarked or sent by a delivery service, whichever is later (the date the school submits a materially complete application).

**Applying for initial certification as a participating school**

A school applying for initial certification may submit an E-App to the Department at any time. (See the sidebar note on the next page for a description of the other documents that must be submitted to make the application materially complete.) A school that is not currently certified, will not be considered certified during the review period.

**Applying for reinstatement after voluntary withdrawal**

A school that voluntarily left the FSA programs —

- may seek to be reinstated at any time, and
- must submit a materially complete application to the Department (using its old OPEID number).
Applying for reinstatement after termination or preemptive withdrawal

A school that was terminated from the FSA programs or that left because it was about to be terminated or otherwise sanctioned—

- generally must wait at least 18 months before applying for reinstatement;
- must submit a materially complete application to the Department; and
- under the cohort default rate rules only, generally loses the ability to participate for the remainder of the current fiscal year and the two following fiscal years.

ELIGIBILITY DURING REVIEW PERIOD & AFTER APPROVAL

Status during the review period

If your school has never been an eligible institution, or if it has never been certified, it will not be considered certified during our review period. Similarly, if your school once participated in the FSA programs but no longer does so, it will not be considered certified during our review period.

If a school applying for recertification meets the submission deadlines detailed in the introduction to the E-App, its PPA automatically remains in effect until the Department either approves or does not approve the E-App (see Chapter 5).

Effective date for participation (if approved)

The date the PPA is signed on behalf of the Secretary is the date the school may begin FSA program participation. (Currently, there are additional steps that must be taken for participation in the Direct Loan Program.) The Department’s Program Systems Service and regional offices are notified, as well as state guaranty agencies, that the school is approved to participate in the FSA programs.

Beginning to disburse funds (if approved)

A school may make Pell Grant disbursements to students for the payment period in which the PPA is signed. Schools receiving initial certification can participate in the Campus-Based programs in the next award year that funds become available. FFEL and Direct Loan program disbursements may begin in the loan period that the PPA is signed on behalf of the Secretary.

Materi ally complete

- a copy of the school’s state license or other equivalent document authorizing the school to provide a program of postsecondary education in the state in which it is physically located,
- a copy of a document from its accrediting agency that grants it accreditation status, including approval of the nondegree programs it offers, and
- any other required supporting documentation.

ED recommends that a school keep a copy of its E-App and supporting documents and retain proof of the date submitted to the Department.

Applying as an eligible nonparticipating school

Some schools choose to establish their eligibility for FSA programs but elect not to participate in them, because designation as an eligible institution qualifies a school or its students to apply to participate in non-FSA programs, such as the HOPE and Lifetime Learning Tax Credit. In addition, only students attending eligible institutions qualify for in-school deferments of payments on their federal education loans.

A nonparticipating eligible institution wishing to be designated an eligible nonparticipating institution may submit an E-App 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. 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 is eligible and that its approval letter and ECAR must be printed and maintained. If the school’s application has not been approved, the Department will notify the school and explain why.
PROVISIONAL CERTIFICATION

Rather than granting full approval to participate, the Department may grant a school conditional approval (referred to as provisional certification in the law) to participate in the FSA programs for up to three complete award years. This level of approval is granted at the Department’s discretion. If the Department grants a provisional certification, the PPA details the provisions of that certification.

Provisional certification is always used when—

- a school is applying to participate for the first time (if approved, it will be provisionally certified for no more than one complete award year),
- a participating school is reapplying because it has undergone a change in ownership, structure, or governance (if approved, it will be provisionally certified for no more than three complete award years), or
- a school reapplies to participate in the FSA programs after its approval to participate ended.

Provisional certification may also be used in other cases, such as when—

- a participating school whose participation has been limited or suspended (or that voluntarily agrees to this provisional status) is judged by the Department to be in an administrative or financial condition that might jeopardize its ability to perform its responsibilities under its PPA (see Chapter 12);
- a participating school’s accrediting agency loses its Departmental approval and the school is seeking approval from another accrediting agency (it may be provisionally certified for no more than 18 months after the agency’s loss of approval);
- it is determined that a school is not financially responsible but the school has met other requirements and has accepted provisional certification (see Chapter 11); or
- a school that is reapplying for certification has a high default rate.

Revoking provisional certification

If the Department determines that a school with provisional certification cannot meet its responsibilities under its PPA, the Department may revoke the school’s participation in the FSA programs. The Department will notify the school of such a determination in a notice that states the basis and consequences of the determination. The notice is sent by certified mail (or other expeditious means). The revocation takes effect on the date the Department mails the notice to the school.
The school may request a redetermination of the revocation by submitting, within 20 days of receiving the notice, written evidence (filed by hand delivery, mail, or fax) that the finding is unwarranted. The Department will review the request and notify the school by certified mail of its decision. If the revocation is upheld, the school may not apply for reinstatement for 18 months or until the expiration of any debarment/suspension action, whichever is later.
OTHER REQUIREMENTS

FSA Administration Training Requirement

In order to participate in any FSA program, a school that is new to the FSA programs must send two representatives (its president/CEO and a financial aid administrator) to a Fundamentals of Title IV Administration training workshop offered by the Department. The Department also requires a school that has undergone a change in ownership, structure, or governance to attend the training. The training requirement must be completed within 12 months of the execution of the Program Participation Agreement.

Fundamentals of Title IV Administration training provides a new school with a general overview of the FSA programs and their administration. It does not cover fiscal and accounting procedures in detail.

- The chief executive may elect to send for Title IV training another executive level officer of the school in his or her place. Both the designated financial aid administrator and the chief executive of the school, or designee, must attend the certification training up to one year prior to but no later than twelve months after the school executes its program participation agreement.

- The attending financial aid administrator must be the person designated by the school to be responsible for administering the FSA programs. The financial aid representative must attend all four and one-half days of the workshop.

If the school uses a consultant to administer its financial aid, the consultant must attend the training as the school’s financial aid representative. Because the school ultimately is responsible for proper FSA program administration, the Department strongly recommends that a financial aid employee from the school attend the training as well.

The school may request a waiver of the training requirement for the financial aid administrator and/or the chief executive from its School Participation Team. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

Application fees prohibited

In the PPA, the school agrees that it will not charge for processing or handling any application, form, or data used to determine a student’s FSA eligibility. For instance, the school may not charge (or include in the student’s cost of attendance) a fee to certify a loan application, complete a deferment form, process a Pell Grant payment, verify an application, or send or request a financial aid transcript.
A student uses the *Free Application for Federal Student Aid* (FAFSA) to apply for FSA program funds. However, a school may require additional data that are not provided on the federal form to award school aid. School charges for collecting such data must be reasonable and within marginal costs.
THE PROGRAM PARTICIPATION AGREEMENT

If the Department determines that a school has met the eligibility requirements (discussed in chapters 1, 3, and 4), the Department then assesses the school’s financial responsibility and administrative capability. These evaluations are used to determine whether the school may be certified for participation in the FSA programs. For more information on administrative capability and financial responsibility, see chapters 10 and 11, respectively.

Once the Department certifies a school to participate in the FSA programs, the school is bound by the requirements of those programs. To begin its participation, a school must enter into a Program Participation Agreement (PPA).

Purpose and scope of the PPA

Under the PPA, the school agrees to comply with the laws, regulations, and policies governing the FSA programs. After being certified for FSA program participation, the school must administer FSA program funds in a prudent and responsible manner. A PPA contains critical information about a school’s participation in the FSA programs. In addition to the effective date of a school’s approval, the date by which the school must reapply for participation, and the date on which the approval expires, the PPA lists the FSA programs in which the school is eligible to participate.

Expiration or termination of the Agreement

Either the school or the Department may terminate the Program Participation Agreement. The Agreement automatically terminates if the school loses eligibility.

A school’s Program Participation Agreement expires on the date that —

- the school changes ownership that results in a change in control (see Chapter 5),
- the school closes or stops providing educational programs for a reason other than a normal vacation period or a natural disaster that directly affects the school or its students;
- the school ceases to meet the eligibility requirements (see Chapter 1),
- the school’s period of participation expires, or
- the school’s provisional certification is revoked.

In the case of a location of the school, the school’s program participation agreement no longer covers a location as of the date on which that location ceases to be a part of the participating institution.
Chapter 2 — Applying for Participation in the FSA Programs

Contents of the Program Participation Agreement

**General Terms & Conditions**

After enumerating the FSA programs in which a school is authorized to participate, a Program Participation Agreement states the General Terms and Conditions for institutional participation. By signing the Agreement a school certifies that it —

1. will comply with the program statutes, regulations, and policies governing the FSA programs;
2. has established a drug abuse prevention policy accessible to any officer, employee, or student at the school (see Chapter 3) and is in compliance with the disclosure requirements for Campus Security Policy and Crime Statistics (Chapter 6);
3. will comply with
   a. Title VI of the Civil Rights Act of 1964, as amended, barring discrimination on the basis of race, color, or national origin;
   b. Title IX of the Education Amendments of 1972, barring discrimination on the basis of sex;
   c. the Family Rights and Privacy Act of 1974 (see Chapter 9)
   d. Section 504 of the Rehabilitation Act of 1973, barring discrimination on the basis of physical handicap (34 CFR Part 104); and
   e. The Age Discrimination Act of 1975 (34 CFR Part 110);
4. acknowledges that the Department, states, and accrediting agencies may share information about the school without limitation; and
5. acknowledges that the school must, prior to any other legal action, submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration.

**Selected provisions from the General Provisions**

In addition to the general statement that a school will comply with the program statutes, regulations, and policies governing the FSA programs, the Program Participation Agreement contains references to selected important provisions of the General Provisions Regulations (34 CFR Part 668). The Program Participation Agreement specifies that—

1. The school will use funds received under any FSA program as well as any interest and other earnings thereon **solely for the purposes specified for that program**.
2. If the school is permitted to request FSA program funds under an advance payment method, the school will **time its requests for funds to meet only the school's immediate FSA program needs** (see Volume 4 – Chapter 3).
3. **The school will not charge for processing or handling any application, form, or data used to determine a student's FSA eligibility** (see Chapter 3).
4. The school will establish administrative/fiscal procedures and reports that are necessary for the proper and efficient management of FSA funds, and it will **provide timely information** on its administrative capability and financial responsibility to the Department and to the appropriate state, guaranty, and accrediting agencies (see Chapters 10 and 11).
5-6. The school will comply with the standards of financial responsibility and administrative capability (see Chapters 10 and 11).

7. The school will submit timely reports to the Department and to loan holders, as required.

8. A school must not certify or originate an FFEL or Direct Loan for an amount that exceeds the annual or aggregate loan limits. (see Volume 3, Chapter 4 and Volume 4, Chapter 1).

9. The school will provide information concerning institutional and financial assistance information as required to students and prospective students (see Chapter 6).

10. If the school advertises job placement rates to attract students, it must make available to prospective students the most recent available data concerning employment statistics, graduation statistics, and other information to substantiate the truthfulness of the advertisements, as well as the state licensing requirements for the jobs for which the training will prepare the student. (see Chapter 6).

11. If the school participates in the FFEL program, the school will provide borrowers with information about state grant assistance from the state in which the school is located, and will inform borrowers from other states of the sources of information about state grant assistance from those states (see Chapter 6).

12. The school will provide required certifications (see the certifications listed at the end of this numbered list).

13. If the school provides financial assistance to students under the ability to benefit provisions, the school will make available to those students a program proven successful in assisting students in obtaining the recognized equivalent of a high school diploma (see Chapter 3).

The law does not require a school to verify that a student is enrolled in a GED program or to monitor the student’s progress in the program. A student admitted based on his or her ability to benefit who does not have a high school diploma or its recognized equivalent is not required by law to enroll in a GED program, but the school may choose to make this an admission requirement.

14. The school cannot deny FSA funds on the grounds that a student is studying abroad if the student is studying in an approved-for-credit program (see Chapters 1 and 7).

15-16. To begin participation in the FFEL programs (or if a school changes ownership or changes its status as a parent or subordinate institution), the school must develop a default management plan for approval by the Department and must implement the plan for at least two years. (see discussion & exceptions in Chapter 10).

17. The school must acknowledge the authority of the Department and other entities to share information regarding fraud, abuse, or the school’s eligibility for participation in the FSA programs (see Chapter 12).

18. The school may not knowingly employ or contract with any individual, agency, or organization that has been convicted of or pled guilty or nolo contendere to a crime or was judicially determined to have committed fraud involving the acquisition, use, or expenditure of federal, state, or local government funds or has been administratively or judicially determined to have committed fraud or any other material violation involving federal, state, or local government funds (see Chapter 1).

19. The school must, in a timely manner, complete reports, surveys, and any other data collection effort of the Department including surveys under the Integrated Postsecondary Education Data System (IPEDS).

20. In the case of a school that offers athletically related student aid, it will disclose the completion and graduation rates of student athletes and the athletic program participation and financial support pursuant to 34 CFR 668.47 and 34 CFR 668.48 in conformance with the Student Right-to-Know Act (see Chapter 6).

21. The school cannot penalize in any way a student who is unable to pay school costs due to compliance with the FSA program requirements or due to a delay in an FSA loan disbursement caused by the school.
22. The school cannot pay or contract with any entity that pays commissions or other incentives based directly or indirectly on securing enrollment or financial aid (except when recruiting foreign students ineligible for FSA program funds) to persons engaged in recruiting, enrolling, admitting, or financial aid administration (see Chapter 3).

23. The school must comply with the program integrity requirements established by the Department, state authorizing bodies, and accrediting agencies (see Chapter 12).

24. The school must comply with the requirements for the Return of Title IV funds when a student withdraws (see Volume 5, Chapter 2).

25. The school is liable for all improperly administered funds received or returned under the FSA programs including any funds administered by a third-party servicer (see Chapter 3).

26. If the stated objectives of an educational program offered by the school are preparing students for gainful employment in a recognized occupation the school will
   a. demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation, and
   b. establish the need for the training for the student to obtain employment in the recognized occupation for which the program prepares the student.

The PPA also contains an unnumbered provision concerning the reporting requirements for schools that offer athletically-related student aid. See Chapter 6 for a discussion of this requirement.

**Certifications**

Three certifications are included in the PPA:

- Lobbying; Debarment, Suspension, and other responsibility matters; and Drug-Free Workplace Requirements
- Drug Prevention Certification
- Certification regarding Debarment, Suspension, Eligibility, and Voluntary Exclusion—lower tier covered transactions.

**Additional provisions for Direct Loan schools**

The school and its representatives shall comply with the statute, guidelines, and regulations governing the Title IV, Part D, William D. Ford Federal Direct Loan Program as required by Section 454 of Public Law 103-66.

The school will:

- Identify eligible FSA applicants and estimate their need, based on the law.
- Provide a certification statement of eligibility for students to receive loans that will not exceed the annual or aggregate limits
- Establish a schedule for disbursement of loan proceeds to meet the requirements of Section 428G of the HEA.
- Provide timely and accurate information to the Department on enrollment status and the status of student borrowers (if known) after the student leaves the institution, and the utilization of FSA funds.
- Comply with student loan information requirements for the Direct Loan Program.
• Provide that student and parents will be eligible to receive FFEL loans, at the discretion of the Department, except that a student or parent may not receive FFEL and Direct Loans for the same period of enrollment.
• Implement a quality assurance system
• Not charge any fees of any kind to student or parent borrowers for loan application, origination activities, or the provision and processing of any information needed to receive a Direct Loan.
• The school will originate loans to eligible students and parents in accordance with the requirements of Part D of the HEA and use funds advanced to it solely for that purpose (Option 2 only).
• The note or evidence of obligation of the loan shall be the property of the Secretary (Options 2 and 1 only).
• Implement such other provisions as the Secretary determines are necessary to protect the interest of the United States and to promote the purposes of Part D of the HEA.
• Accept responsibility and financial liability stemming from its failure to perform its functions under this Program Participation Agreement.

The Institution’s continued approval to participate in the Direct Loan Program will be based on the Department of Education’s review and approval of the Institution’s future applications for recertification to continue participating in the federal student aid programs.

Note that the PPA may list additional requirements that are school-specific; schools must carefully review all of the requirements listed on their PPA.

In addition to the requirements listed on the PPA, a school must meet any requirements for participation in the General Provisions (34 CFR Part 668), as well as those specific to an individual FSA program.

* FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 20 U.S.C. 1070b et seq; 34 CFR Part 676.
* FEDERAL WORK-STUDY PROGRAM, 42 U.S.C. 2751 et seq; 34 CFR Part 675.
* ACADEMIC COMPETITIVENESS GRANT, 1070a-1; 34 CFR Part 691
* NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN TALENT GRANT GRANT, 1070a-1; 34 CFR Part 691

These requirements are discussed in the Application and Verification Guide and Volumes 1-6 of this Federal Student Aid Handbook.