
Introduction



This publication is intended for foreign institutions that participate in the U.S. Department of Education’s (Department’s) William D. Ford Direct Loan (Direct Loan) Program.

The *Foreign Schools Handbook* is a supplement to the *Federal Student Aid (FSA) Handbook* and contains information on FSA program requirements that are applicable only to foreign institutions. Foreign institutions must also comply with the FSA program requirements for participation in the Direct Loan Program that are applicable to all institutions—domestic and foreign. These requirements are addressed in the *Federal Student Aid (FSA) Handbook*, the Department’s comprehensive guide to regulatory and administrative requirements for the FSA programs. The FSA Handbook can be accessed at:

<http://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook&set=current>

As foreign institutions do not participate in FSA programs other than the Direct Loan Program, and because foreign institutions are exempt from some requirements applicable to domestic institutions, not all of the guidance in the *FSA Handbook* will apply. To assist in identifying these areas, we have provided guidance on the major sections of the *FSA Handbook* that do not apply to foreign schools in the *FSA Handbook* Crosswalk at the end of this chapter.

The *Foreign School Handbook* and the *FSA Handbook* are updated annually. Throughout the year, the U.S. Department of Education provides updates on FSA program requirements and procedures to institutions in the form of Dear Colleague Letters (DCLs), Electronic Announcements, and Federal Register documents. These and other releases are available on the Information for Financial Aid Professionals (IFAP) website at ***www.ifap.ed.gov***.

Institutions are responsible for knowing about all new statutory, regulatory, and procedural requirements for the FSA programs. As part of demonstrating that they are administratively capable to participate in the FSA programs, all institutions are required to access the IFAP website to stay up-to-date on this information. The IFAP website also has links to all major FSA websites and services and a “Help” link that includes contact information for FSA call centers and customer service offices.

Requirement to use IFAP & other electronic processes



DCL GEN-04-08
34 CFR 668.16(o)

IFAP Updates

To sign up for daily or weekly emails that summarize recent postings to IFAP, go to “My IFAP” on the website and select “New User Registration.”

IFAP also includes a Foreign School Information page (<http://www.ifap.ed.gov/ForeignSchoolInfo/ForeignSchoolInfo.html>) with information specific to a foreign institution's FSA program participation, including the operational processes for a foreign institution's handling of FSA program funds (see Foreign School Direct Loan Setup and SAIG Overview and Foreign School Direct Loan Processing), as well as updates for foreign institutions, assessments a foreign institution may perform to evaluate its operations related to administering the Direct Loan Program, and training and conference information.

We appreciate any comments that you have on this Handbook. We revise and clarify the text in response to questions and feedback from the financial aid community, so please contact us at fsaschoolspubs@ed.gov to let us know how to improve the Handbook so that it is always clear and informative.

Questions related to a foreign institution's participation in the Direct Loan Program may be directed to the Department's Foreign Schools Team at fsa.foreign.schools.team@ed.gov or 202-377-3168, mailing address:

U.S. Department of Education 
Federal Student Aid, School Eligibility Channel
Multi-Regional & Foreign Schools Participation Division
Union Center Plaza
830 First Street, NE
7th Floor
Washington, DC 20202-5340

References

Dear Colleague letters (DCLs) provide additional information on the requirements of the FSA programs and are grouped by the year in which they were published. The year of publication is the first number in the Dear Colleague reference. For example, DCL GEN-04-08 was the eighth Dear Colleague Letter published in 2004. Dear Colleague letters can be accessed at <http://ifap.ed.gov/ifap/byYear.jsp?type=dpclletters>.

Electronic Announcements contain system updates and technical guidance and are grouped by the year in which they were published. Electronic Announcement references are the date of publication. Electronic Announcements can be accessed at <http://ifap.ed.gov/ifap/byYear.jsp?type=eannouncements>.

The Foreign School Handbook and the FSA Handbook also reference U.S. laws (the United States Code) and regulations.

One source for the United States Code is <http://uscode.house.gov/>. Most laws specific to the FSA programs are found under Title 20. United States Code citations list the title, USC (for United States Code), and the section number. For example, 20 USC 1094(c) refers to Title 20 of the United States Code, section 1094(c).

One source for the regulations applicable to the FSA programs is the Electronic Code of Federal Regulations at www.ecfr.gov. Most regulations specific to the FSA programs are found under Title 34, Parts 600-679 and Parts 680-699. Links to these parts of the regulations can also be accessed through IFAP under “Laws and Regulations.” Regulatory citations list the title, CFR (for Code of Federal Regulations), and links to these parts of the regulations can also be accessed through IFAP under “Laws and Regulations.” For example, 34 CFR 600.51 refers to Title 34 of the Code of Federal Regulations, section 600.51.

New or amended regulations and notices regarding the FSA program are published in the Federal Register and are available on the IFAP website listed by year at <http://ifap.ed.gov/ifap/byYear.jsp?type=fregisters>. A Notice of Proposed Rulemaking gives notice to the public that the U.S. Department of Education intends to add to or amend regulations and provides the public with an opportunity to comment. Once regulations are published as final regulations, they have the force of law and must be adhered to by institutions, students, and other regulated entities as of the published effective date. Final regulations are added to the Code of Federal Regulations on a regular basis. Citations for Federal Register documents list the volume, FR (for Federal Register), and the page number. For example, 75 FR 67170 refers to Volume 75, page 67170 of the Federal Register. Documents can be found on the Federal Register’s website (<https://www.federalregister.gov/>), however, it is easier to use the date of publication to find the document on the IFAP website at the link above.

Glossary and acronyms

Terms and acronyms found in the *Foreign Schools Handbook*, the *FSA Handbook*, and other FSA program literature are defined in the *FSA Handbook* glossary at <http://ifap.ed.gov/fsahandbook/attachments/1617FSAHbkAppendixA.pdf>.

Introduction

- Expanded the explanation of the use of the *Foreign Schools Handbook* in relation to the *FSA Handbook* and publications of updated information throughout the year
- Updated the address for the Department’s Foreign Schools Team
- Added a list of references explaining the main resources with which a foreign school should be familiar
- Added an FSA Crosswalk to indicate which parts of the *FSA Handbook* are inapplicable to foreign schools and which parts are supplemented or superseded by information in the *Foreign Schools Handbook*

Chapter 1

- Added information to highlight the requirement for institutions to report changes to information on the application outside of the recertification process
- Provided clarifying information regarding the recognition of a foreign tax authority’s determinations for purposes of determining nonprofit status
- Clarified that not every program at an institution must be FSA-program eligible for the institution to participate in the FSA programs
- Added clarifying information on accreditation
- Clarified that additional eligible program requirements apply to foreign graduate medical schools, veterinary schools, and nursing schools
- Highlighted that the prohibition on a foreign institution offering a program through distance education is statutory
- Removed the margin note on “Limited attendance limitation” as the information regarding arrangements with U.S. institutions and the role of each institution is more completely covered under “Written arrangements with U.S. institutions”
- Clarified that an institution is never required to enter into an arrangement with another institution based on a student’s request
- Clarified what it means for an internship to be part of a program
- Clarified that foreign schools must resolve unusual enrollment history flags and conflicting or suspicious information

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- Added information on changes made by the October 30, 2015 cash management regulations
 - Clarified consumer information responsibilities of foreign schools

Chapter 2

- Clarified throughout the chapter that audits are done based on an institution's fiscal year
- Updated the address for audit submissions

Chapter 3

- Clarified the definition of a U.S. citizen, national, or eligible permanent resident
- Clarified that a passing USMLE score for Canadian institutions is defined by the USMLE Management Committee, and Canadian institutions may obtain scores from the National Board of Medical Examiners
- Added an address for the submission of data to the Department
- Added a copy of the Foreign Medical Schools Consumer Information Form which is used to submit data to the Department

Chapter 4

- Added information on accreditation requirements for foreign veterinary schools
- Clarified that, for the requirements that, for a for-profit veterinary school or a for-profit nursing school, Direct Loan program eligibility does not extend to any joint degree program, the term "joint degree program" means an undergraduate/graduate program
- Updated the address for the submission of NCLEX-RN pass rate information

FSA HANDBOOK CROSSWALK

Listed below is the table of contents of the *FSA Handbook* annotated to indicate which parts are inapplicable to foreign schools and which parts are supplemented or superseded by information in the *Foreign Schools Handbook*. Sections that are inapplicable are greyed out and marked as “Not Applicable.” Sections that are superseded or supplemented by the *Foreign Schools Handbook* are annotated with “Refer to FS Handbook.”

Application and Verification Guide

- ▶ Chapter 1 - The Application Process: FAFSA to ISIR
 - Types of applications
 - Processing the FAFSA
 - Output documents: the SAR and ISIR
 - Deadlines

- ▶ Chapter 2 - Filling Out the FAFSA
 - Step one: General student information
 - Step two: Income and assets
 - Step three: Dependency status
 - Step four: Parent’s information (dependent students only)
 - Step five: Independent student data
 - Step six: School information
 - Step seven: Signatures

- ▶ Chapter 3 - Expected Family Contribution (EFC)
 - General information
 - Simplified formula
 - Automatic Zero EFC
 - Department of Defense match and Iraq and Afghanistan Service Grant
 - Alternate EFCS
 - The EFC Worksheets
 - Formula A-Dependent Students
 - Formula B- Independent student without dependent other than a spouse
 - Formula C-Independent student with dependents other than a spouse
 - EFC Worksheets

- ▶ Chapter 4 - Verification (Not Applicable), Updates, and Corrections
 - Required policies and procedures (Not Applicable)
 - Applications and information to be verified (Not Applicable)
 - Documentation (Not Applicable)

- Updating information
 - Correcting errors
 - Interim disbursements (Not Applicable)
 - Changes in selected applicant's FAFSA (Not Applicable)
 - How to submit corrections and updates
 - Deadlines and failure to submit documentation (Not Applicable)
 - Suggested verification text (Not Applicable)
- ▶ Chapter 5 - Special Cases
- Professional Judgment
 - Dependency Overrides
 - Conflicting Information
 - Referral of Fraud Cases
 - Unaccompanied Homeless Youth

Volume 1 - Student Eligibility

- ▶ Chapter 1 - School-Determined Requirements
- Regular student in an eligible program
 - Elementary or secondary enrollment
 - Academic qualifications
 - Satisfactory Academic Progress (Foreign graduate medical schools: Refer to FS Handbook, Chapter 3, Satisfactory academic progress for further guidance)
 - Enrollment status
 - Students convicted of possession or sale of drugs
 - Incarcerated students (Not Applicable)
 - Conflicting information
 - Change in eligibility Status
 - Eligibility requirements for specific educational programs (Not Applicable: Correspondence courses and distance education courses)
- ▶ Chapter 2 - Citizenship
- Eligible Categories
 - Citizenship match with the SSA
 - Noncitizen match with the DHS
 - Paper secondary confirmation (G-845)
 - Citizens of the Freely Associated States
 - Documenting immigration status in later award years
 - Replacing lost DHS Documents
 - Examples of copies of pertinent documents

- ▶ Chapter 3 - NSLDS Financial Aid History
 - NSLDS match
 - Checking the financial aid history for transfer students
 - Effect of Bankruptcy or disability discharge
 - Resolving default status
 - NSLDS loan status codes

- ▶ Chapter 4 - Social Security Number
 - SSN match
 - Death master file
 - Applicants using same SSN
 - Exception for the Freely Associated States: Micronesia, Marshall Islands, and Palau

- ▶ Chapter 5 - Selective Service
 - Registration Requirement
 - Exemptions
 - Selective Service Match
 - Failure to Register

- ▶ Chapter 6 - Eligibility for Specific FSA Programs (only section on Direct Loans is applicable)

Volume 2 - School Eligibility and Operations

- ▶ Chapter 1 - Institutional Eligibility
 - Type and control (Refer to FS Handbook, Chapter 1, Definition of a nonprofit foreign institution for further guidance)
 - Basic criteria for eligible institutions (Refer to FS Handbook, Chapter 1, for further guidance on institutional eligibility requirements for foreign schools. Refer to FS Handbook, Chapter 3 for further guidance on additional institutional eligibility requirements for foreign graduate medical schools. Refer to the FS Handbook, Chapter 4 for further guidance on additional institutional eligibility requirements for foreign veterinary schools and foreign nursing schools.)
 - Legal authorization by a State (Not Applicable. Refer to FS Handbook Chapter 1, Definition of a foreign institution for information on legal authorization requirements for foreign schools.)
 - Accreditation (Not applicable. Refer to the FS

Handbook Chapter 3, Accreditation for information on accreditation requirements for foreign graduate medical schools. Refer to the FS Handbook, Chapter 4, Foreign veterinary schools for information on accreditation requirements for foreign veterinary schools.)

- Admissions Standards (Not Applicable. Refer to FS Handbook, Chapter 1, *Institutional Eligibility*, for information on admission standards for foreign institutions.)
 - “Two-year” rule for new proprietary or vocational schools
 - Factors leading to loss of eligibility
 - Participating in the TEACH Grant program (Not applicable)
 - Applying as an eligible nonparticipating school
 - Withdrawal rates
 - The Program Participation Agreement
- Chapter 2 - Program Eligibility, Written Arrangements, & Distance Education
- Determining program eligibility
 - Basic types of eligible programs (Not Applicable. Refer to FS Handbook, Chapter 1, Eligible programs for information on eligible program requirements for foreign schools. Refer to the FS Handbook, Chapter 3, General eligibility criteria, for information on additional eligible program requirements for foreign graduate medical schools. Refer to the FS Handbook, Chapter 4, for information on additional eligible program requirements for foreign veterinary schools and foreign nursing schools.)
 - Programs leading to gainful employment
 - Additional eligibility requirements (Not Applicable: Programs for students with intellectual disabilities, Educational programs eligible for TEACH Grants, ESL programs, Competency-based education programs, Flight school programs). Applicable: Apprenticeships, Study-abroad programs (Refer to FS Handbook, Chapter 1, Programs offered in the United States for further guidance)
 - Written arrangements between schools (Refer to FS Handbook, Chapter 1, Written arrangements with U.S. Institutions for further guidance)
 - Distance education and correspondence study (Not Applicable)
 - Clock-hour/credit-hour conversion in determining program eligibility

▶ Chapter 3 - FSA Administrative & Related Requirements

- Administrative requirements for the financial aid office
- Ownership, employees, and contractors
- Contracts with third party servicers
- Incentive Compensation Prohibition
- Required electronic processes
- Sharing information with NSLDS, Federal loan servicers and guarantors
- Satisfactory Academic Progress (SAP) (Foreign graduate medical schools: Refer to FS Handbook, Chapter 3, Satisfactory academic progress for further guidance)
- Provisions for U.S. Armed Forces members and families (Not Applicable: In-state tuition for active duty service members and family attending public institutions, Executive Order 13607: Principles of Excellence Applicable: Readmission of service members)

▶ Chapter 4 - Audits, Standards, Limitations, & Cohort Default Rates

- FSA audit requirements for schools (Refer to FS Handbook, Chapter 2 for further guidance)
- Timing of audit submissions (Refer to FS Handbook, Chapter 2 for further guidance)
- Standards and Guidelines for FSA audits (Refer to FS Handbook, Chapter 2 for further guidance)
- 90/10 Revenue Test
- Audits & audit review process
- Audits for third-party servicers
- Demonstrating Financial responsibility (Refer to FS Handbook, Chapter 2, Financial responsibility for foreign public institutions for further guidance)
- Standards for Financial Responsibility
- Alternatives to the General Financial Standards
- Past Performance and Affiliation Standards
- Limitations
- Cohort default rates
- Debt-to-Earnings (D/E) rates for GE programs

▶ Chapter 5 - Updating Application Information

- Recertification (All foreign schools: Refer to FS Handbook, Chapter 1, Periods of certification for further guidance. Foreign graduate medical schools: Refer to FS Handbook, Chapter 3, Application In-

- formation for further guidance)
- Change in ownership
- Changes in ownership interest and 25% threshold
- Steps to be taken during a change in ownership
- Temporary approval for continued participation
- Reporting substantive changes
- Changes to location, branch, or campus
- Changes to educational programs
- **Changes in accreditation (Not Applicable)**
- Changes to third-party servicers

► Chapter 6 - Consumer Information & School Reports

- Availability of Information
- General student disclosures
- **Completion, graduation, transfer, retention, and placement rates (Foreign schools do not currently report this information because they cannot report to IPEDS. Foreign graduate medical schools: Refer to FS Handbook, Chapter 3, Collection and submission of data for further guidance. Foreign nursing schools: Refer to the FS Handbook, Chapter 4, Foreign nursing schools for further guidance.)**
- Disclosures and gainful employment programs
- **Campus Crime and Safety Information (Not Applicable except for Missing persons procedures)**
- Drug and alcohol abuse prevention
- Information about athletics (Applicable if an institution has an intercollegiate athletic program)
- Textbook information
- Loan counseling
- Private education loans
- Misrepresentation
- Reporting on foreign sources and gifts
- Anti-lobbying provisions
- **Voter registration (Not Applicable)**

► Chapter 7 - Recordkeeping, Privacy & Electronic Processes

- Required records
- Record retention periods
- Record maintenance
- Examination of records
- Privacy of student information (FERPA)
- E-Sign ACT and information security
- Preventing copyright violations

- ▶ Chapter 8 - Program Reviews, Sanctions, & Closeout
 - Program review by the Department
 - Corrective actions and sanctions
 - Closeout procedures (when FSA participation ends)

Volume 3 - Calculating Awards & Packaging

- ▶ Chapter 1 - Academic Calendar, Payment Periods & Disbursements
 - Academic year requirements
 - Academic calendars and terms
 - Payment periods
 - Timing of disbursements
 - **Timing of FSA Grant & Perkins Loan disbursements (Not Applicable)**
 - **Interim disbursements (Not Applicable)**
 - Direct/Direct PLUS Loan disbursements
 - Retaking coursework in term programs
 - Transfer, re-entry & repeating coursework when progress is not tracked by terms

- ▶ Chapter 2 - Cost of Attendance (Budget) (Refer to FS Handbook, Chapter 1, Cost of attendance and fluctuating currency for further guidance)
 - Allowable costs
 - Costs for periods other than nine months

- ▶ **Chapter 3 - Calculating Pell and Iraq & Afghanistan Service Grant Awards (Not Applicable)**

- ▶ **Chapter 4 - Calculating TEACH Grants (Not Applicable)**

- ▶ Chapter 5 - Direct Loan Periods and Amounts
 - Loan periods, academic terms and program length
 - Annual loan limits
 - Annual loan limit progression
 - Managing Direct Loans in modules & intersessions
 - Monitoring annual loan limits with an SAY or BBAY (Chart).
 - Grade level progression
 - Prorating annual loan limits for Direct Loans (undergraduate only)
 - Remaining loan eligibility for students who transfer or change programs
 - Aggregate loan limits
 - Effect of overborrowing then regaining eligibility

- ▶ Chapter 6 - Awarding Campus-Based Aid (Not Applicable)
- ▶ Chapter 7 - Packaging Aid
 - Pell Grants as first source of aid (Not Applicable)
 - Packaging Rules for Campus-based Aid and Direct Loans
 - Estimated Financial Assistance (EFA)
 - Packaging aid for children of Iraq & Afghanistan soldiers
 - Packaging TEACH Grants (Not Applicable)
 - FSEOG & Pell LEU (Not Applicable)
 - Considering grants and subsidized loans first
 - Substituting for the EFC
 - Counting Need-based earnings as estimated financial assistance
 - Crossover periods
 - Packaging Veterans Benefits, AmeriCorps, Vocational Rehabilitation funds and BIA Grants
 - Treatment of overawards
 - Appendix A—Federal education benefits to be excluded from EFA as listed in section 480 (C) of the Higher Education Act

Volume 4 - Processing Aid and Managing Federal Student Aid Funds

- ▶ Chapter 1 - Requesting and Managing FSA Funds
 - Purpose of cash management regulations
 - EDCAPS and G5
 - Award periods
 - Drawing down FSA funds
 - Maintaining and Accounting for Funds (Refer to FS Handbook, Chapter 1 Cash management requirements for further guidance)
 - Separate depository account (Refer to FS Handbook, Chapter 1 Cash management requirements for further guidance)
 - Excess cash
 - Administrative Cost Allowance (ACA) (Not Applicable)
 - A school's fiduciary responsibility
 - Garnishment of FSA funds is prohibited
 - Escheating of FSA funds is prohibited

▶ Chapter 2 - Disbursing FSA Funds

- Notifications
- Authorizations
- Institutional charges
- Paying institutional charges
- Checking eligibility at the time of disbursement
- Time frames for paying FSA funds
- Early disbursements
- Retroactive payments
- Late disbursements
- Disbursing FWS wages (Not Applicable)
- Method of disbursement
- FSA credit balances
- Paying FSA credit balances (Refer to FS Handbook, Chapter 1, Cash management requirements and Currency used for credit balances for further guidance)
- Time frame for returning an unclaimed Title IV credit balance
- Holding FSA credit balances
- When a school uses third-party servicers to disburse Title IV Credit balances by EFT
- Schools must provide students a choice of the way they receive Title IV credit balances (Not Applicable)
- Tier One and Tier Two Arrangements (Not Applicable)
- School-issued stored-value cards with no third-party involvement

▶ Chapter 3 - Overawards and Overpayments

- Overawards
- When a student fails to begin attendance
- Treatment of Overpayments
- Reporting overpayments to NSLDS
- Referring overpayments (Not Applicable)

▶ Chapter 4 - Returning FSA Funds

- Returning FSA funds (Refer to FS Handbook, Chapter 1, Returning loan funds for further guidance)
- When funds are considered to have been Returned
- Returning funds from an audit or program review
- Downward adjustment of FSA Grant disbursement records and Direct Loan disbursement records required
- Returning Direct Loan funds

- Returning funds after 240 days (Not Applicable)
 - Returning funds through G5 for both open and closed awards
 - Returning funds from FFEL loans purchased/served by the Department
 - Returning Perkins Loan Program funds to the Department (Not Applicable)
- ▶ Chapter 5 - Reconciliation in the Pell Grant and Campus-Based Programs (Not Applicable)
- ▶ Chapter 6 - Reconciliation in the Direct Loan Program
- Overview of Direct Loan reconciliation
 - Internal reconciliation for Direct Loans
 - External reconciliation
 - Tools and reports for Direct Loan reconciliation
 - The school account statement
 - Working with the SAS
 - Loan disbursement detail
 - Best practices for reconciliation
 - Appendix A - Accounting Systems
 - Appendix B - A school's financial management systems

Volume 5 - Withdrawals and the Return of Title IV Funds (Applicable except for section on verification. Refer to FS Handbook, Chapter 1, Returning loan funds for further guidance on returning funds.)

Volume 6 - The Campus-Based Programs (Not Applicable)

Appendices:

- ▶ Appendix A - Federal Student Aid Glossary Acronyms
- The acronyms most commonly found in the Handbook and other student aid literature have been added to the glossary entries.
- ▶ Appendix B - Technical Resources and Assistance
- Electronic Assistance- Information for Financial Aid Professionals (IFAP) – Allows you to receive weekly updates to the Information
 - Tools for Schools – <http://ifap.ed.gov/ifap/tools->

- forschools.jsp
 - Publications - <http://ifap.ed.gov/ifap/publications.jsp>
 - FSA Downloads for software and manuals - <http://fsadownload.ed.gov/>
- ▶ Appendix C - Actions a School Should Take When a Current Student Dies
- Documentation required for discharge of a federal student loan when a student dies
- ▶ Appendix D - The FSA Assessments
- FSA has designed management assessment modules to help schools enhance their services. - FSA Assessment Tool www.ifap.ed.gov/qahome/fsaassessment.html
- ▶ Appendix E- Miscellaneous Business Office Functions
- Reporting requirements of Treasury Department/ Internal Revenue Service (IRS)
- ▶ Appendix F - Institutional Reporting and Disclosure Requirements for Federal Student Assistance Programs
- Report-Gainful employment data- Due date: October 1 after the end of the award year
 - Disclosures-Academic programs- Due date: Available upon request or published in material
 - Disclosures - Gainful employment programs -Due date: Prior to registering or enrolling
- ▶ Appendix G - HEA Table of Contents
- Higher Education Act of 1965— Table of Contents (as of September 1, 2015)