

# Foreign Schools Handbook

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# 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.*

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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](http://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.

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## **Requirement to use IFAP & other electronic processes**



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

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## **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](mailto: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](mailto: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](http://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

- 
- 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](http://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)

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# General Eligibility and Participation Requirements

## CHAPTER 1

*This chapter describes the general requirements a foreign institution must meet to be eligible to participate in the Direct Loan Program.*

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### APPLICATION AND CERTIFICATION

Institutions must apply to, and receive approval from, the U.S. Department of Education to be eligible to participate in the Federal Student Aid (FSA) programs before they can be certified for participation. A foreign institution is eligible to apply to participate in the William D. Ford Direct Loan (Direct Loan) Program, the only FSA program in which a foreign institution may participate, if it is comparable to an eligible institution of higher education located in the United States.

The criteria for demonstrating comparability, as well as other criteria required for eligibility, are found in 34 CFR 600, subpart E. A foreign institution must comply with all other FSA program regulations for eligible and participating institutions except as noted. Only public or private nonprofit foreign institutions may participate in the Direct Loan Program, except for freestanding foreign graduate medical schools, foreign veterinary schools, and foreign nursing schools, which may be for-profit institutions.

Institutions must apply to be eligible to participate using the Application for Approval to Participate in the Federal Student Financial Aid Programs. The electronic application, as well as information on the application process, can be found at <http://www.eligcert.ed.gov/>. For foreign institutions that are applying to participate in the Direct Loan Programs for the first time, additional information is available on the Foreign School Information website under the Application Process link in the Eligibility section, and in the Department's New School Guide at <http://ifap.ed.gov/ifap/FSANewSchoolGuide.jsp>.

When the Department determines that an institution has met all the requirements for participation in the Direct Loan Program, it will certify the institution to participate through the signing of a Program Participation Agreement (PPA). The PPA is signed by the school's president, chief executive officer, or chancellor and an authorized representative of the Secretary of Education. (See Volume 2, Chapter 1 of the *FSA Handbook*.)

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### Foreign schools regulations

The U.S. federal regulations specific to foreign institutions were last changed with the publication of the final regulations on Nov. 1, 2010 (75 FR 67170).

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### Applying for eligibility to participate

34 CFR 600.51, 600.53

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### Criteria for demonstrating comparability

34 CFR 600, Subpart E

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### Compliance exceptions

34 CFR 600.51(c)(1)

A foreign institution must comply with all other FSA program regulations for eligible and participating institutions except when made inapplicable by law or when the Department, through publication in the Federal Register, identifies specific provisions as inapplicable to foreign institutions.

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### Eligible but non-participating institutions

Some institutions apply only for designation as an eligible institution—they do not seek to actually participate in the Direct Loan Program—so that their students may receive deferments on FSA program loans. The same application is used to apply for both eligibility and certification for participation. See Volume 2, Chapter 1 of the *FSA Handbook*.

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### Certification Period

34 CFR 600.58(e); and

34 CFR 668.13(b)(1)

### *Periods of certification*

The Department will certify a foreign institution to participate for a period of not longer than six years. In the case of a for-profit foreign graduate medical school, for-profit foreign veterinary school or for-profit foreign nursing school, the Department will certify the school for a period of not longer than three years. Based on the application and circumstances of the institution's prior participation, the certification period granted may be significantly less.

When an institution's certification expires, the institution must apply to be recertified. An institution's PPA expires on the date that:

- the institution changes ownership that results in a change in control (see Volume 2, Chapter 5 of the *FSA Handbook*);
- the institution closes or stops offering educational programs for a reason other than a normal vacation period or natural disaster that directly affects it or its students (see closure procedures in Volume 2, Chapter 8 of the *FSA Handbook*);
- the institution ceases to meet the institutional eligibility requirements (see Volume 2, Chapters 1 and 4 of the *FSA Handbook*);
- the institution's period of participation expires;
- the institution's provisional certification is revoked (see Volume 1, Chapters 4, 5, and 8 of the *FSA Handbook*);
- the institution loses eligibility based on excessive cohort default rates under 34 CFR Part 668, Subpart N (see Volume 2, Chapter 4 of the *FSA Handbook*); or
- the Department terminates the institution's participation in proceedings under 34 CFR Part 668, Subpart G.

If a foreign institution loses its eligibility, an otherwise eligible student, continuously enrolled at the institution before the loss of eligibility, may receive a Direct Loan Program loan for attendance at that institution through the end of the academic year succeeding the academic year in which that institution lost its eligibility, if the student actually received a Direct Loan Program loan for attendance at the institution for a period during which the institution was eligible.

### **Clarification**

An institution is required to report changes to certain information on its approved application outside of the recertification process. An institution may also wish to expand its FSA program 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. Volume 2, Chapter 5 of the *FSA Handbook* covers these requirements in detail, including reporting on the application that is unique to foreign institutions.

## DEFINITION OF A FOREIGN INSTITUTION

To be eligible to apply to participate in the Direct Loan Program as a foreign institution, an institution must:

- not be located in a State;
- be legally authorized by the education ministry, council, or equivalent agency of the country in which the institution is located to provide an educational program beyond the secondary education level;
- award degrees, certificates, or other recognized educational credentials, in accordance with the requirement for an eligible program, that are officially recognized by the country in which the institution is located (see *Eligible programs*); and
- except with respect to clinical training that is part of a medical, veterinary, or nursing program offered by the institution, not offer programs in whole or in part in the United States for Direct Loan Program participation (see *Eligible programs*).

If an educational enterprise enrolls students both within a State and outside a State, and the number of students who would be eligible to receive Federal Student Aid program funds attending locations outside a State is at least twice the number of students enrolled within a State, the locations outside a State must apply to participate as one or more foreign institutions and must meet all requirements of the definition of a foreign institution, and the other requirements applicable to foreign institutions.

Proof that a foreign institution has the appropriate legal authorization may be provided to the Department by a legal authorization from the appropriate education ministry, council, or equivalent agency:

- for all eligible foreign institutions in the country;
- for all eligible foreign institutions in a jurisdiction within the country; or
- for each separate eligible foreign institution in the country.

### *Definition of a nonprofit foreign institution*

A foreign institution is considered to be a nonprofit institution if 1) the institution is owned and operated by only one or more nonprofit corporations or associations, and 2) if the Department or a recognized tax authority in the foreign institution's home country, which is recognized by the Department for this purpose, determines that the foreign institution is a non-profit educational institution.

If a recognized tax authority of a foreign institution's home country is recognized by the Department for purposes of making determinations of an institution's nonprofit status for FSA program purposes, the Department accepts that tax authority's determination of nonprofit educational status for any institution located in that country. In making this determination, the Department uses criteria that are similar to those used by the U.S. IRS.

## Definition of a foreign institution

34 CFR 600.52

### Definition of a State

34 CFR 600.2

For purposes of the Federal Student Aid programs, a State is a State of the Union, American Samoa, the Commonwealth of Puerto Rico, the District of Columbia, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. The latter three are also known as the Freely Associated States.

### Educational enterprise definition

34 CFR 600.31

An educational enterprise consists of two or more locations that are directly or indirectly under common ownership and offer all or part of an educational program. Locations are considered to be "indirectly" under common ownership if, at any level, the locations are owned and controlled by the same parties, or family members (i.e., an individual's or an individual's spouse's parent, stepparent, sibling, step-sibling, spouse, child, step-child, grandchild, or step-grandchild, the individual's child's spouse, or the individual's sibling's spouse).

### Foreign branches of U.S. institutions

Requirements for foreign institutions do not apply to foreign branch campuses or foreign additional locations of U.S. institutions (i.e., institutions that are located in a State). Branch campuses and additional locations of a U.S. institution are considered part of the U.S. institution, regardless of their location.

### Nonprofit foreign institution

34 CFR 600.2

### Proof of legal authorization

34 CFR 600.54(g)

### Recognition of foreign tax authority determinations

The Department's recognition of a foreign tax authority's determinations of nonprofit status will not extend to determinations analogous to those made by the U.S. Internal Revenue Service that the Department has determined do not apply for FSA program purposes.

#### Clarification

### Eligibility criteria

34 CFR 600.54

### Provides an eligible program

Not every program at an institution must be FSA-program-eligible for the institution to participate in the FSA programs. Of course, students who attend ineligible programs cannot receive FSA program funds.

### Secondary school definition

34 CFR 600.52

A secondary school is a school that provides secondary education as determined under the laws of the country in which the school is located.

### Regular student definition

34 CFR 600.2

A regular student is a person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution.

If a recognized tax authority of the institution's home country is not recognized by the Department for purposes of making determinations of an institution's nonprofit status for FSA program purposes, a foreign institution must demonstrate to the satisfaction of the Department that it is a nonprofit educational institution.

A nonprofit foreign institution may not be owned by a for-profit entity, directly or indirectly. A foreign institution that does not meet this definition of a nonprofit foreign institution is not eligible to participate in the Direct Loan Program unless it is an otherwise eligible medical, veterinary, or nursing school.

## INSTITUTIONAL ELIGIBILITY CRITERIA

A foreign institution is considered to be comparable to an eligible institution of higher education in the United States and eligible to apply to participate in the Direct Loan Program if the foreign institution:

- is a public or private nonprofit institution, except for freestanding foreign graduate medical schools, foreign veterinary schools, and foreign nursing schools, which may be a for-profit institution;
- for a public or private nonprofit institution, meets the requirements for an institution of higher education in 34 CFR 600.4, except those that the Department has determined are inapplicable (see *Inapplicable institutional eligibility requirements*);
- for a for-profit graduate medical school, veterinary school, or nursing school, meets the requirements for a proprietary institution of higher education in 34 CFR 600.5, except those that the Department has determined are inapplicable (see *Inapplicable institutional eligibility requirements*);
- provides an eligible program (see *Eligible Programs*);
- admits as regular students only persons who have a secondary school completion credential or have the recognized equivalent of a secondary school completion credential;
- does not enter into an arrangement with an institution or organization that is ineligible to participate in the FSA programs for that ineligible institution or organization to provide any portion of the eligible foreign institution's programs, except for affiliation agreements for the provision of clinical training for foreign graduate medical, veterinary, and nursing schools (see *Eligible Programs* for more information); and
- the additional locations of the institution separately meet the definition of a foreign institution in 34 CFR 600.52 if 1) the additional location is located outside of the country in which the main campus is located, except as provided for the clinical training portion of a program of a foreign graduate medical school, veterinary school, or nursing school; or 2) is located within the same country as the main campus, but is not covered by the legal authorization of the main campus.

### *Inapplicable institutional eligibility requirements*

The regulations designate the following requirements for an institution of higher education or a proprietary institution of higher education as inapplicable to foreign institutions:

1. The requirement that an institution be in a State (34 CFR 600.4(a)(1), and 600.5(a)(2)) and the conditions under which an institution is considered to be located in a State (34 CFR 600.4(b), and § 600.5(c)) because, by definition, a foreign institution is an institution that is not located in a State;
2. The requirement that an institution be legally authorized by the State in which it is located (34 CFR 600.4 (a)(3), and 600.5(a)(4)) again, because, by definition, a foreign institution is an institution that is not located in a State and the definition of foreign institution instead requires a foreign institution to be legally authorized by the education ministry, council or equivalent agency of the country in which the institution is located;
3. The requirement that an institution admit as regular students only persons who have a high school diploma, have the recognized equivalent of a high school diploma, or are beyond the age of compulsory school attendance in the State in which the institution is physically located (34 CFR 600.4(a)(2) and 600.5(a)(3)) because the foreign school eligibility regulations instead require students to have a secondary school completion credential or its equivalent, rather than a high school diploma. Because foreign institutions are not located in a State, the provision allowing the admission of students without a high school diploma or its equivalent if the student is beyond the age of compulsory school attendance in the State in which the institution is physically located is inapplicable;
4. The requirement that an institution may provide a comprehensive transition and postsecondary program for students with intellectual disabilities, as described in 34 CFR part 668, subpart O (34 CFR 600.4(a)(4)(ii) and 600.5(a)(5)(ii)), because under the law these programs are not available to Direct Loan borrowers, and foreign institutions are not eligible for programs other than Direct Loans;
5. The accreditation requirements (34 CFR 600.4(a)(5), and 600.5(a)(6)) and the conditions under which the Department recognizes an institution's accreditation (34 CFR 600.4(c), and 600.5(d)) because the Department does not recognize accrediting agencies for the purpose of accrediting foreign institutions; and
6. For a for-profit foreign institution, 34 CFR 600.5(a)(5)(i)(B) and (e), which allow an institution to meet the definition of a for-profit institution by providing a program leading to a baccalaureate degree in liberal arts, are not applicable because the Department does not recognize accrediting agencies for the purpose of accrediting foreign institutions and, in order to meet this provision, an institution must be accredited by a recognized regional accrediting agency or association, and have continuously held such accreditation since October 1, 2007, or earlier.

### **Accreditation**

While some foreign institutions are accredited by U.S. accrediting agencies, foreign schools do not need to be accredited to participate in the FSA programs, with the exception of foreign medical schools and foreign veterinary schools (see Chapters 3 and 4).

### **Clarification**

**Eligible program definition**

34 CFR 600.54(e)

**Definition of an academic year**

34 CFR 668.3

Generally, an academic year is—

- for a program offered in credit hours, a minimum of 30 weeks of instructional time and, for an undergraduate program, an amount of instructional time whereby a full-time student is expected to complete at least 24 semester or trimester credit hours or 36 quarter credit hours; or
- for a program offered in clock hours, a minimum of 26 weeks of instructional time and, for an undergraduate program, an amount of instructional time whereby a full-time student is expected to complete at least 900 clock hours. For complete information, see the *FSA Handbook*, Volume 3, Chapter 1.

**Distance education**

34 CFR 600.2

Distance education means education that uses one or more of the technologies listed below to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between the students and the instructor, either synchronously or asynchronously. The technologies may include:

- the internet;
- one-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices;
- audio conferencing; or
- video cassettes, DVDs, and CD-ROMs, if the cassettes, DVDs, or CD-ROMs are used in a course in conjunction with any of the technologies listed above.

**Ineligible programs**

DCL GEN-14-20

34 CFR 600.51 (d),

34 CFR 600.52, definition of a foreign institution,

34 CFR 600.54(c), 34 CFR 668.10(d)

**Distance education prohibition is statutory****Clarification**

The prohibition on offering a program in whole or in part through distance education is U.S. law and cannot be changed through regulation. See 20 U.S.C. 1088(b)(3).

**ELIGIBLE PROGRAMS**

To be comparable to an eligible institution of higher education in the United States and eligible to apply to participate in the Direct Loan Program, a foreign institution must provide an eligible education program:

- For which the institution is legally authorized to award a degree that is equivalent to an associate, baccalaureate, graduate, or professional degree awarded in the United States;
- that is at least a two-academic-year program acceptable for full credit toward the equivalent of a baccalaureate degree awarded in the United States; or
- that is equivalent to at least a one-academic-year training program in the United States that leads to a certificate, degree, or other recognized educational credential and prepares students for gainful employment in a recognized occupation within the meaning of the gainful employment provisions.

An institution must demonstrate to the satisfaction of the Department that the amount of academic work required by a program that it believes meets the requirements for at least a one-academic year training program is equivalent to at least the FSA program definition of an academic year (see margin note). For more information on gainful employment programs, see *Programs leading to gainful employment*.

The Department makes a comparison to determine whether postsecondary programs offered by a foreign school are properly considered undergraduate or graduate for purposes of the Direct Loan Program. This determination affects the amount of Direct Loan Program funds a student attending an eligible program may borrow.

For complete information, see the *FSA Handbook*, Volume 3, Chapter 1. Note that additional requirements apply to programs offered by foreign graduate medical schools (see Chapter 3), foreign veterinary schools, and foreign nursing schools (see Chapter 4).

**Clarification****Programs leading to gainful employment**

Programs that lead to gainful employment in a recognized occupation are subject to the Department's regulations. All programs at for-profit foreign medical schools, veterinary schools, and nursing schools are considered gainful employment programs. Some programs at public and nonprofit institutions are gainful employment programs (see Volume 2, Chapter 2 of the *FSA Handbook* for more information).

**Ineligible programs**

There are some programs that are never eligible for Direct Loan Program participation when offered by a foreign institution:

- A program offered in whole or in part through telecommunications, otherwise known as distance education,

- A program offered in whole or in part through correspondence,
- A program offered in whole or in part through direct assessment,
- A program for which any portion of the program is provided by an entity that is not eligible to participate in the FSA Programs (except for affiliation agreements for the provision of clinical training for foreign graduate medical, veterinary, and nursing schools),
- With limited exception, a program offered in whole or in part in the United States (see *Programs offered in the United States*).

In recognition that distance education technologies are frequently used in conjunction with classroom instruction, foreign institutions may use distance education technologies to supplement and support instruction offered in a classroom located in the foreign country where the students and instructor are physically present.

A program that permits Direct Loan recipients to take an ineligible course for credit, regardless of whether the course is optional or required, is considered ineligible for Direct Loan funds. However, it is permissible for a foreign institution to offer two separate versions of a program, one of which does not permit students who are Direct Loan recipients to enroll in the ineligible courses for credit toward completion of the program (i.e., the ineligible course yields credit toward completion of the program or otherwise fulfills a requirement for graduation from that program). In that case, the version of the program that does not permit Direct Loan recipients to enroll in ineligible courses would not contain any ineligible courses, and would, therefore, be an eligible program if the program otherwise met the FSA eligible program requirements.

A foreign institution is ultimately responsible for ensuring that Direct Loan funds are not disbursed to students who enroll in any Direct Loan ineligible courses as a part of their program and should ensure that any students who may be applying for Direct Loan funds are aware of the restrictions on enrollment.

An institution must provide to students information on the academic program of the institution. If a foreign institution chooses to offer a Direct Loan-eligible version of a program for Direct Loan recipients, this information must make clear that a student will not be eligible for Direct Loan funds if the student enrolls in the ineligible version. The institution is required to make this information readily available to enrolled and prospective students through appropriate publications, mailings or electronic media. In addition, a brief description of this information must be included in the notice that an institution must provide to enrolled students listing the categories of information required to be made available to them, together with an explanation of how to obtain the information.

The Department does not restrict an institution's discretion to award credit for courses completed at other institutions, but Direct Loan funds may not be provided for the transferred credits. If a student independently

### Definition of a direct assessment program

34 CFR 668.10(a)(1)

A direct assessment program is an instructional program that, in lieu of credit hours or clock hours as a measure of student learning, utilizes direct assessment of student learning, or recognizes the direct assessment of student learning by others. The assessment must be consistent with the accreditation of the institution or the program utilizing the results of the assessment.

### Separate version of a program

A Direct-Loan-eligible version of a program must be administratively distinct from any version of the program offered by the institution that contains Direct-Loan-ineligible courses. This means that the program must be identified separately wherever the institution lists its programs online or in publications, and student enrollment and progress in the program must be tracked separately (e.g., through a unique program number or other identifier).

An institution does not need to create duplicate courses for the Direct-Loan-eligible program and the ineligible program. Students from both versions of a program may attend the same Direct-Loan-eligible courses.

### Definition of a correspondence course

34 CFR 600.2

A correspondence course is a home-study course for which the school provides instructional materials, including examinations on the materials, by mail or electronic transmission, to students who are not physically attending classes at the school. Interaction between the instructor and student is limited, not regular and substantive, and primarily initiated by the student. If a course is part correspondence and part residential training, the course is considered to be a correspondence course. A correspondence course is not distance education.

### Information for students

34 CFR 668.43(a)(5) and 668.42(b)

### Offering programs in the United States

34 CFR 600.52, definition of a foreign institution  
DCL GEN-11-18

### Written arrangements to provide educational programs

34 CFR 668.5  
See Volume 2, Chapter 2 of the *FSA Handbook* for more information.

### Written arrangements not required upon student request

No institution is required to execute a written arrangement with another institution because a student desires to study elsewhere. It is always up to the institution to determine whether it wants to enter into a written arrangement with another institution.

#### Clarification

completes a Direct Loan-ineligible course at an unaffiliated institution, those credits may be transferred into the student's program at the eligible foreign institution provided that the student does not receive Direct Loan funds for those credits. However, this guidance does not apply if there is an arrangement between the institutions for transfer of credits. In that circumstance, the limitations of the requirements for written arrangements in 34 CFR 668.5 apply, no matter how informal the arrangement may be.

### *Programs offered in the United States*

With a limited exception, programs offered in whole or in part in the United States by a foreign institution—either at a U.S. location of the foreign institution, through an arrangement with a U.S. institution, or otherwise—are not eligible for participation in the Direct Loan Program. Specifically, for the purposes of students who receive Direct Loan Program funds, a foreign institution is an institution that, except with respect to clinical training that is part of a medical, veterinary, or nursing program offered by the institution:

- has no U.S. location;
- has no written arrangements, within the meaning of 34 CFR 668.5, with institutions or organizations located in the United States for students enrolling at the foreign institution to take courses from institutions located in the United States; and
- does not permit students to enroll in any course offered by the foreign institution in the United States, including research, work, internship, externship, or special studies within the United States, except that independent research done by an individual student in the United States for not more than one academic year is permitted if it is conducted during the dissertation phase of a doctoral program under the guidance of faculty, and the research can only be performed in a facility in the United States.

A foreign institution is not prohibited from offering a program in whole or in part in the United States. However, any such program is not recognized for Direct Loan Program purposes. As a result, students attending that program may not receive Direct Loan Program funds for any part of the program.

### *Written arrangements with U.S. institutions*

A U.S. institution that is eligible to participate in the FSA programs may have written arrangements with a foreign institution or organization acting on behalf of a foreign institution whereby the foreign institution provides part of an educational program so that the students enrolled in that program may receive FSA program funds.

However, as a program offered by a foreign institution in whole or in part in the United States is not an FSA-eligible program, any arrangement between a U.S. institution and a foreign institution or organization acting on behalf of a foreign institution is always considered to be one between an eligible U.S. institution where the student enrolls, and an ineligible foreign institution, even if the foreign institution is an otherwise eligible

to participate in the Direct Loan Program. As a result, in this situation the provisions of 34 CFR 668.5 regarding written arrangements between an eligible institution and an ineligible institution or organization are applicable.

For a program offered through a written arrangement between an eligible institution and an ineligible institution or organization (commonly referred to as a contractual agreement), the eligible institution is always the “home” institution for FSA program purposes. This means that a student must be continuously enrolled at the eligible institution, in this case, the U.S. institution, as a regular student--i.e., enrolled for purposes of obtaining a degree, certificate, or other recognized educational credential offered by the eligible U.S. institution, and the U.S. institution must perform all the functions related to the delivery of FSA program funds. For example, the U.S. institution must determine the student’s eligibility for FSA program funds, and must calculate and disburse the funds to the student, taking into account all the hours in which the student enrolls at each institution or organization that apply to the student’s degree or certificate when determining the student’s enrollment status and cost of attendance. The U.S. institution is also responsible for maintaining all records necessary to document student eligibility and receipt of FSA program funds.

Upon completion of the program, the student must receive a degree from the U.S. institution, although he or she may receive a degree from the foreign institution as well.

In addition, there is a limit on the portion of the program that can be offered by the ineligible institution or organization through a contractual agreement. If both the eligible and the ineligible institution are owned or controlled by the same individual, partnership, or corporation, the ineligible institution or organization may provide no more than 25 percent of the program. If there is no common ownership or control, the ineligible institution or organization must provide less than 50 percent of the program.

However, in the case of separately owned or controlled institutions, if the ineligible institution or organization provides more than 25 percent of the program, the eligible institution’s accrediting agency or state agency (in the case of a public postsecondary vocational institution) must specifically determine that the institution’s arrangement meets the agency’s standards for the contracting out of educational services. Of course, the program must otherwise satisfy the FSA program requirements for an eligible program.

The eligible U.S. institution must make information about written arrangements available to students by providing to enrolled and prospective students a description of the written arrangements the institution has entered into, including, but not limited to, information on:

- the portion of the educational program that the institution that grants the degree or certificate is not providing,
- the name and location of the other institutions or organizations that are providing the portion of the educational program that the institution that grants the degree or certificate is not providing,

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### Eligible program requirements

34 CFR 668.8, *FSA Handbook* Volume 2, Chapter 2

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### Information on written arrangements for students

34 CFR 668.5(e), 34 668.43(a)(12)

- the method of delivery of the portion of the educational program that the institution that grants the degree or certificate is not providing, and
- estimated additional costs students may incur as the result of enrolling in an educational program that is provided, in part, under the written arrangement.

Other factors may also prevent a foreign institution from providing a portion of a program under a written arrangement with a U.S. institution. A program offered through a contractual agreement is not eligible to participate in the FSA programs if the ineligible institution or organization:

(1) has had its eligibility to participate in the FSA programs terminated by the Department, or

(2) has voluntarily withdrawn from participation in the FSA programs under a termination, show-cause, suspension, or similar proceeding initiated by the institution's State licensing agency, accrediting agency, guarantor, or by the Department.

In addition, a program offered through a contractual agreement is not eligible for FSA program participation if the ineligible institution or organization has had its certification to participate in the FSA programs revoked by the Department, or had its application for certification or recertification to participate in the FSA programs denied by the Department.

#### *Programs including internships and externships*

Internships and externships that are part of a program (i.e., a student is required to participate in, or is given the option to participate in the internship or externship) and are provided by organizations other than the institution are subject to the written arrangement requirements in 34 CFR 668.5.

#### **Clarification**

Internships and externships are usually provided by organizations that are not eligible for participation in the FSA Programs. Because foreign institutions may have written agreements only with other institutions that are eligible to participate in the FSA Programs, foreign institutions are generally precluded from including internships and externships provided by ineligible organizations as part of a Title IV eligible program.

However, a foreign institution may include, as part of a program that is eligible for participation in the FSA Programs, internships or externships offered by non-eligible organizations if the internship or externship is governed by explicit standards of an outside oversight entity, such as an accrediting agency or government entity, that require the oversight and supervision of the institution, where the institution is responsible for the internship or externship and students are monitored by qualified institutional personnel.

## EXEMPTION FROM VERIFICATION OF A STUDENT'S FINANCIAL AID APPLICATION INFORMATION

U.S. institutions that participate in the FSA programs are required to verify the information provided by at least some of their students on the application for FSA program assistance, the Free Application for Federal Student Aid. Foreign institutions are exempt from performing verification.

While verification is not required, foreign schools must resolve unusual enrollment history (UEH) flags that appear on a student's SAR/ISIR. The UEH flags address possible abuse in the FSA programs. UEH flags are discussed in Dear Colleague Letter GEN-15-05 and the *FSA Handbook*, in *Volume 1, Chapter 3*, under "Unusual Enrollment History."

Foreign schools are reminded that, although they are exempt from verification, all schools have a responsibility to resolve conflicting or suspicious information. See *Volume 2, Chapter 3* of the *FSA Handbook*, under "Consistency of information" and "Conflicting information."

### Verification exemption

34 CFR 668.51(c)

### Clarification

## STUDENT VISA APPLICATION DOCUMENTATION

Students from the U.S. who attend foreign institutions must provide documentation of the estimated federal student loans they will receive when they submit their student visa applications. While dependent on each country's requirements, a student may need documentation of his or her estimated Direct Loan funding before a foreign institution begins processing Direct Loans via the Department's systems.

The Department has developed a sample letter that institutions may use and adapt per their country's student visa requirements. In addition, the Department has developed a version of the sample letter that has been approved by the United Kingdom Border Agency for use with U.S. students who will attend school in the United Kingdom. Both sample letters are included at the end of this chapter and can also be found on the Foreign School Information website.

If an institution is unsure how to handle a visa documentation request, it should contact its Direct Loan enrollment team specialist (Point of Contact) or the team at [foreignschoolenrollment\\_fsa@ed.gov](mailto:foreignschoolenrollment_fsa@ed.gov) for assistance.

**Sample Estimated Direct Loan Information Letter  
For Student Visa Applications**

*School Letterhead*

\_\_(Date)\_\_ /

To Whom It May Concern:

\_\_(Name of school/institution)\_\_ participates in the William D. Ford Federal Direct Loan (Direct Loan) Program administered by the United States (U.S.) Department of Education. Eligible students from the U.S. who attend our school may borrow through the Direct Loan Program. Undergraduate students and graduate/professional students may receive Direct Subsidized Loans and Direct Unsubsidized Loans. Graduate/professional students and parents may receive Direct PLUS Loans.

\_\_(Name of student and other identification information required by visa office, for example, date of birth and/or address)\_\_ has been accepted in a degree-granting program (or otherwise eligible program) at our school on at least a half-time basis and meets other eligibility requirements to receive one or more Direct Loan Program loans as outline below. Based on an initial determination of the identified student's Direct Loan eligibility for the loan period \_\_(Start Month/Day/Year - End Month/Day/Year)\_\_, we estimate that the student (or, in some cases, the student's parent) may receive the following Direct Loan awards:

| Loan Type                | Estimated Loan Amount |
|--------------------------|-----------------------|
| Direct Subsidized Loan   | \$                    |
| Direct Unsubsidized Loan | \$                    |
| Direct PLUS Loan         | \$                    |

The recommended disbursement dates are as follows:

- \_\_(Month/Day/Year)\_\_
- \_\_(Month/Day/Year)\_\_

If you have questions about this letter or require additional information, contact us at \_\_(School/institution contact information)\_\_.

Sincerely,

School Official's Signature

School Official's First and Last Names

School Official's Title

Sample Direct Loan Information Letter  
For UK Student Visa Applications

**School Letterhead**

|                  |
|------------------|
| Forename Surname |
| Address line 1   |
| Address line 2   |
| Address line 3   |
| Address line 4   |
| Postcode/Zipcode |

**Notification of Student Loan  
For Academic Year 2010/11**

This is to certify that

|                                    |  |
|------------------------------------|--|
| Student Name<br>(Forename Surname) |  |
| Date of Birth (dd/mm/yyyy)         |  |
| Student/Applicant ID               |  |

has been accepted in a degree-granting program (or otherwise eligible program) at our school.

We participate in the William D. Ford Federal Direct Loan (Direct Loan) Program administered by the United States (U.S.) Department of Education.

Eligible students from the U.S. who attend our school may borrow through the Direct Loan Program.

Undergraduate students and graduate/professional students may receive Direct Subsidized Loans and Direct Unsubsidized Loans.

Graduate/professional students and parents may receive Direct PLUS Loans.

Based on our calculation of the student's financial needs and Direct Loan eligibility for the loan period

|            |  |
|------------|--|
| Start Date |  |
| End Date   |  |

the student (or, in some cases, the student's parent) will receive the following Direct Loan awards:

| Loan Type                | Loan Amount |
|--------------------------|-------------|
| Direct Subsidized Loan   |             |
| Direct Unsubsidized Loan |             |

|                          |  |
|--------------------------|--|
| Direct Unsubsidized Loan |  |
| Direct PLUS Loan         |  |
| Total                    |  |

The disbursement dates are as follows:

|  |  |
|--|--|
| 1 <sup>st</sup> date                   |  |
| 2 <sup>nd</sup> date                   |  |
| 3 <sup>rd</sup> date (if you have one) |  |
| 4 <sup>th</sup> date (if you have one) |  |
| Total                                  |  |

This certificate is only valid if printed on school headed paper and signed across the coat of arms by the person whose initials are ringed below

XX      XX  
 XX      XX  
 XX      XX  
 XX

and stamped by the Office stamp.



**Office Stamp**

Date Issued XX Month Year

## COST OF ATTENDANCE AND FLUCTUATING CURRENCY RATES

Unless a foreign institution has entered into an enrollment agreement with a student to provide a program or a portion of a program for a set amount expressed in U.S. dollars, the foreign institution may adjust the cost of attendance to reflect changes in exchange rates. Say, for example, that in June, an institution's yearly cost of attendance of 30,000 British pounds is the equivalent of 45,000 U.S. dollars based on an exchange rate of 1.5 U.S. dollars to 1 British pound. However, when the student arrives in September, the exchange rate is 2 U.S. dollars to 1 British pound for a cost of attendance of 60,000 U.S. dollars. Provided the institution did not enter into an enrollment agreement with the student for \$45,000 U.S. dollars, the institution may use \$60,000 U.S. dollars for the student's cost of attendance.

If recalculations of costs of attendance on this basis are to be performed, the institution should have a policy it applies consistently, resulting in both upward and downward adjustments, with respect to all Direct Loan borrowers.

The recalculation should not include costs incurred in a different payment period. In the recalculation, the general rules as to costs of attendance continue to apply (e.g., costs of attendance for tuition and fees should include only those normally assessed a student carrying the same academic workload as determined by the institution, and can include costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study). These recalculations are not an exercise of professional judgment but instead reflect changes in costs as expressed in U.S. dollars resulting from fluctuations in currency exchange rates.

## DIRECT LOAN DISBURSEMENTS AND RETURNS

Direct Loan Program funds are provided to students by the foreign institution they attend. Volume 4 of the *FSA Handbook* provides guidance on how an institution requests, disburses, manages and reports on the use of FSA Program funds, generally referred to as the "cash management requirements." For information on the process for a foreign institution to originate, draw down, disburse and return Direct Loan funds, see the Direct Loan Processing section of the Foreign School Information website.

### Cash management requirements



On October 30, 2015, the Department published final regulations amending the cash management regulations. With a few differences, foreign schools are subject to the same cash management requirements as domestic schools. The differences are:

#### Maintaining and Accounting for Funds

All foreign schools must maintain a depository account into which the Department transfers, or the school deposits, FSA program funds. The depository account must be insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) or by an equivalent agency of the government of the country in which the institution is located. If there is no equivalent agency, the Department may approve a depository account designated by the foreign school. Unlike

### Cost of attendance and fluctuating currency rates

DCL GEN-10-18, December 2, 2010

### Foreign Institutions and SAIG

Foreign School Update FS-2014-01

The Student Aid Internet Gateway (SAIG), allows authorized entities, including foreign schools, to exchange FSA program data electronically with the Department. Previously, foreign institutions had to contact the Department directly to receive SAIG enrollment information. As of 2014, foreign institutions can find SAIG overview and contact information as well as SAIG Enrollment Forms and instructions on the Foreign School Information Web page. The SAIG information is located under the SAIG Overview and Contact Information link in the Direct Loan Setup and SAIG Overview section of the Foreign School Information website.

### COD School Relations Center

When contacting the Common Origination and Disbursement (COD) School Relations Center, foreign institutions should use the following number: 1-571-392-3737. Please note that this is not a toll-free number.

### Currency used for credit balances

Dear Colleague Letter GEN-10-18, December 2, 2010

### Changes to the cash management regulations

Final rule: Program integrity and improvement, October 30, 2015

(80 FR 67126)

<http://ifap.ed.gov/registers/FR103015>

[FinalRuleProgramIntegrityandImprovement.html](#)

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### **Borrower’s request for cancellation**

34 CFR 668.165(a)

An institution must comply with a borrower’s request to cancel all or a portion of a loan that was credited to a student’s account if the institution receives the cancellation request within certain time frames. For additional information on Title IV loan cancellation requirements, see the *FSA Handbook*, Volume 4, Chapter 2.

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### **Returning loan funds**

Dear Colleague Letter GEN-10-18, December 2, 2010.

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### **Return of Title IV Funds requirements**

34 CFR 668.22, *FSA Handbook*, Volume 5

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### **Consumer information requirements**

34 CFR 668 subpart D, *FSA Handbook*, Volume 2, Chapter 6

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### **Exemption from campus crime reporting**

20 USC 1092(f)(1), (f)(3), (f)(4), (f)(5), (f)(8)(A)

domestic institutions, the depository account that a foreign school maintains need not be an interest-bearing account. In addition, the foreign school’s depository account does not need to be identified with the phrase “Federal Funds” nor is the school required to file a UCC-1 Statement associated with the depository account.

#### **Student Choice Menu**

Foreign schools are not subject to the student choice menu that would require schools to provide students a choice of the way they receive FSA program credit balances.

#### **Tier 1 and Tier 2 Arrangements**

The cash management regulations identify two types of agreements between schools and financial services providers—Tier 1 (T1) and Tier 2 (T2) Arrangements. T1 and T2 arrangements do not apply to foreign schools.

#### ***Currency used for credit balances***

Whenever an institution disburses Direct Loan Program funds by crediting a student’s account and the total amount of all Direct Loan Program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student, or parent for a Parent PLUS Loan, as soon as possible, but no later than:

- (1) 14 calendar days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) 14 calendar days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

In most cases, foreign institutions pay Direct Loan Program credit balances to students or parents in the local currency. However, a foreign institution may pay a Direct Loan Program credit balance in U.S. dollars if it chooses to do so, either to accommodate a request from a U.S. student or otherwise. For more information on Title IV credit balances, see Volume 4, Chapter 2 of the *FSA Handbook*.

#### ***Returning loan funds***

There are times when a foreign institution will be required to return Direct Loan Program funds to the Department, for example, when a return of unearned funds is due under the Return of Title IV Funds requirements, or when a student, or parent, for a Parent PLUS Loan, cancels all or a portion of their loan. When Direct Loan funds are returned to the Department, the institution must return the original U.S. dollar amount of the loan funds, even if the institution incurs additional costs due to fluctuating exchange rates and/or exchange fees.

The way a foreign institution will refund Direct Loan funds will differ depending on whether the institution has a foreign bank account or a U.S. bank account. With a foreign bank account, an institution will begin the process of a refund in G5, and complete a wire form that is generated containing the Department’s bank information so that non-US banks can

wire the funds to the Department. With a U.S. bank account, an institution can return funds electronically via the Department's G5 website.

For additional information, foreign institutions can refer to Section 7 of the Funding Process Overview in the Direct Loan Processing section of the Foreign School Information website.

## CONSUMER INFORMATION

Institutions that participate in the FSA programs must provide information about their institution, including information about financial aid, its campus, facilities, student athletes, and gainful employment programs, as well as information to promote campus safety and prevent drug and alcohol abuse.

Foreign institutions are required to comply with these requirements, except that a foreign institution is not required to comply with certain campus safety requirements, including the requirements of the Violence against Women Act (VAWA), and its associated implementing regulations. See *The Handbook for Campus Safety and Security Reporting* for more information (<http://www2.ed.gov/admins/lead/safety/campus.html>).

**Clarification**

There are also consumer information requirements that apply only to foreign graduate medical schools. For more information on these requirements, see the *Collection and submission of data* section in Chapter 3.



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# Audits & Financial Responsibility

*This chapter describes the submission requirements for compliance audits and audited financial statements by foreign institutions, as well as the financial responsibility standards for foreign public institutions.*

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## COMPLIANCE AUDITS AND AUDITED FINANCIAL STATEMENTS

Generally, a school that participates in any Federal Student Aid program must have an independent auditor conduct annually an audit of the school's compliance with the laws and regulations that are applicable to the FSA programs in which the school participates (a compliance audit) and an audit of the school's financial statements (a financial statement audit).

However, by exercising the authority granted to it under the law, the Department has waived the audited financial statements submission requirements for foreign institutions that receive less than \$500,000 in Direct Loan Program funds in the institution's preceding fiscal year, and modified the audited financial statements submission requirements for public and private nonprofit foreign institutions that receive less than \$10,000,000 in Direct Loan Program funds in the institution's preceding fiscal year. Under this same authority, the Department has modified the compliance audit requirements for foreign institutions that receive less than \$500,000 in Direct Loan Program funds in the institution's preceding fiscal year.

For additional information on Audited Financial Statements and Compliance Audits, see Volume 2, Chapter 4 of the *Federal Student Aid Handbook*.

## COMPLIANCE AUDITS

The compliance audit requirements for foreign institutions vary based upon whether the institution received less than \$500,000, or \$500,000 or more in Direct Loan Program funds during the institution's most recently completed fiscal year.

Foreign institutions that receive \$500,000 or more in Direct Loan Program funds during the institution's most recently completed fiscal year must submit annual compliance audits using the standard audit procedures for foreign institutions set out in the audit guide issued by the Department's Office of Inspector General.

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### Audited financial statements and compliance audits for foreign institutions

20 USC 1094(c)(1)(A)(i), 34 CFR 668.23(h)

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### No waiver of audit requirements

The law does not permit the waiver of audit requirements for foreign institutions that receive \$500,000 or more in Direct Loan funding.

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### Audit submission address



Four copies of an institution's audits should be submitted to:

U.S. Department of Education  
Federal Student Aid  
School Eligibility Channel  
Document Receipt & Control Center  
830 First 1st, NE, Room 81A3  
Washington, DC 20202-5340

### OIG Foreign School Audit Guide

The Foreign School Audit Guide has not been updated since 2002 and does not reflect the changes to regulations and guidance that have been made since that time. An independent public accountant performing an audit of a foreign institution must be familiar with the current regulations and guidance applicable for foreign institutions, and must audit the foreign institution for compliance with those current requirements. The OIG Foreign School Audit Guide is available at <http://www2.ed.gov/about/offices/list/oig/nonfed/sfa.html>

Foreign institutions that receive less than \$500,000 in Direct Loan Program funds during the institution's most recently completed fiscal year are allowed to submit compliance audits under an alternative compliance audit performed in accordance with the audit guide from the Department's Office of Inspector General. The institution must submit the compliance audit annually, with one exception. A foreign institution may submit a cumulative compliance audit once every three years instead of annually, if the institution:

- received less than \$500,000 U.S. in Direct Loan Program funds for its most recently completed fiscal year,
- is fully certified, and
- has timely submitted and had accepted compliance audits for two consecutive fiscal years, and has had no history of late submissions since then.

An alternative compliance audit is an "agreed-upon procedures attestation engagement" that is limited to specific procedures performed on a particular subject matter, wherein the auditors are not required to express an opinion of the reliability of the institution's assertions concerning its compliance with the requirements. The standard compliance audit, by contrast, is performed as a more extensive "examination-level attestation engagement."

When an institution submits a standard compliance audit because it received more than \$500,000 in Direct Loan Program funds during the institution's most recently completed fiscal year, the institution must also submit any alternative compliance audit or audits for preceding years that were required for any preceding fiscal year or years in which the foreign institution received less than \$500,000 in Direct Loan Program funds.

The Department may require a foreign institution to submit a compliance audit performed at a higher level of engagement, and may require the compliance audit to be submitted annually, by issuing a letter to the foreign institution that identifies problems with its administrative capability or compliance reporting.

A foreign institution's compliance audit must be done on a fiscal year basis (meaning the institution's fiscal year), and all Direct Loan Program transactions that have occurred since the period covered by the institution's last compliance audit must be covered. For institutions that are permitted to submit one compliance audit every three years, this requirement ensures that the compliance audit is cumulative.

#### Clarification

An institution must submit the compliance audit no later than six months after the last day of the institution's preceding fiscal year.

## Compliance Audit Requirements for Foreign Institutions

| Direct Loan Funds Received During Institution's Most Recent Fiscal Year   | Public and Private Nonprofit Institutions  | For-Profit Institutions                       |
|---|--|---|
| \$500,000+  | Standard compliance audit, submitted annually  | Standard compliance audit, submitted annually |
| Less than \$500,000   | Alternative compliance audit, submitted annually   |   |
|   | Alternative compliance audit may cover up to 3 fiscal years if: <ul style="list-style-type: none"> <li>• received less than \$500,000 in most recent fiscal year period,</li> <li>• fully certified,</li> <li>• timely submitted and had accepted 2 most recent audits and no late submissions since, or</li> <li>• notified by the Department.</li> </ul> |   |
| <p>Note: If the Department identifies problems with a foreign institution's administrative capability or compliance reporting, it may require a foreign institution to submit a compliance audit performed at a higher level of engagement and may require the compliance audit to be submitted annually.</p> |  |   |

## AUDITED FINANCIAL STATEMENTS

Generally, an institution's audited financial statements must be submitted to the Department annually, and must be prepared on an accrual basis in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), and audited by an independent auditor in accordance with U.S. Generally Accepted Government Auditing Standards (U.S. GAGAS) and other guidance contained in the Office of Management and Budget Circular A-133 and A-128 regarding audits of States, Local Government and Non-Profit Organizations, or in audit guides developed by, and available from, the Department of Education's Office of Inspector General, whichever is applicable.

However, for a public or nonprofit foreign institution that received less than \$500,000 in Direct Loan Program funds during the institution's most recently completed fiscal year, the audited financial statements submission is waived, unless the institution is in its initial provisional period of participation and received Direct Loan Program funds during that year, in which case the institution must submit, in English, audited financial statements prepared in accordance with the generally accepted accounting principles of the institution's home country.

For a public or nonprofit foreign institution that received at least \$500,000 but less than \$3,000,000 in Direct Loan Program funds during its most recently completed fiscal year, the institution may submit for that year, in English, audited financial statements prepared in accordance with the generally accepted accounting principles of the institution's home country in lieu of financial statements prepared in accordance with U.S. GAAP/U.S. GAGAS.

For a public or nonprofit foreign institution that received at least \$3,000,000 but less than \$10,000,000 in Direct Loan Program funds during its most recently completed fiscal year, the institution must submit, in English, every three years two sets of audited financial statements, one prepared in accordance with U.S. GAAP/U.S. GAGAS, and one prepared in accordance with the institution's home country accounting standards. However, for the two years in between, the institution may submit, in English, audited financial statements prepared in accordance with the generally accepted accounting principles of the institution's home country in lieu of financial statements prepared in accordance with U.S. GAAP/U.S. GAGAS.

Public or nonprofit foreign institutions that receive \$10,000,000 or more in Direct Loan Program funds during the institution's most recently completed fiscal year, and all for-profit foreign institutions must submit, in English, audited financial statements prepared in accordance with the generally accepted accounting principles of both the institution's home country and U.S. GAAP/U.S. GAGAS. The Department may require a foreign institution to submit audited financial statements in the manner it specifies by issuing a letter to the foreign institution that identifies problems with its financial condition or financial reporting.

Audited financial statements must be submitted within six months of the last fiscal year that the audit is required to cover.

### Audited Financial Statements Submission Requirements for Foreign Institutions

| Direct Loan funds Received During Institution's Fiscal Year | Public and Private Nonprofit Institutions                |  | For-Profit Institutions  |
|---|--|--|--|
|   | Home country GAAP  | U.S. GAAP & GAGAS  | Home country GAAP and U.S. GAAP & GAGAS (both must be fulfilled) |
| <b>\$10,000,000</b>   | <b>Required annually, in English</b>                     | <b>Required annually, in English</b>   | <b>Required annually, in English</b>                             |
| <b>\$3,000,000-<br/>\$9,999,999</b>                         | <b>Required annually, in English</b>                     | <b>Required annually, in English; may omit for 2 consecutive years after U.S. GAAP &amp; GAGAS audit</b> |  |
| <b>\$500,000-<br/>\$2,999,999</b>                           | <b>Required annually, in English</b>                     | <b>Not required</b>  |  |
| <b>Less than \$500,000</b>                                  | <b>Not required, except during initial certification</b> | <b>Not required</b>  |  |

Note: If the Department identifies problems with a foreign institution's financial condition or financial reporting, it may require the institution to submit audited financial statements in a manner specified by the Department.

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## Financial responsibility for foreign public institutions

34 CFR 668.171(c)(2)

## FINANCIAL RESPONSIBILITY FOR FOREIGN PUBLIC INSTITUTIONS

All foreign institutions must demonstrate that they are financially responsible in accordance with the requirements in 34 CFR 668 subpart L, or 34 CFR 668.15 for determinations related to changes in ownership. The requirements are the same for foreign institutions as they are for domestic institutions, except that they include a specific provision for foreign public institutions that is comparable to provisions for domestic public institutions.

The Department considers a foreign public institution to be financially responsible if the institution:

- notifies the Secretary that it is designated as a public institution by the country or other government entity that has the legal authority to make that designation;
- provides documentation from an official of that country or other government entity confirming that the institution is a public institution and is backed by the full faith and credit of the country or other government entity; and
- is not in violation of any past performance requirement under 34 CFR 668.174.

If a government entity provides full faith and credit backing, the entity will be held liable for any Direct Loan Program liabilities that are not paid by the institution.

If a foreign public institution does not meet these requirements, financial responsibility is determined under the general financial responsibility standards, including the application of the equity, primary reserve, and net income ratios. For complete information on the financial responsibility requirements, see Volume 2, Chapter 4 of the *Federal Student Aid Handbook*.

Although the full faith and credit provision provides an alternate way of meeting the financial responsibility standards for foreign public institutions, it does not excuse the institution from the required submission of audited financial statements (see *Audited Financial Statements* above).

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# Foreign Graduate Medical Schools

## CHAPTER 3

*In addition to the eligibility requirements discussed in Chapter 1 and Chapter 2, a foreign graduate medical school must comply with additional requirements to be eligible to participate in the Direct Loan Program.*

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### GENERAL ELIGIBILITY CRITERIA

To be eligible to participate in the Direct Loan Program, a foreign graduate medical school must be either a freestanding foreign institution or a component of a foreign university that has as its sole mission the providing of an educational program that leads to a degree of medical doctor, doctor of osteopathic medicine, or the equivalent. Both public and private nonprofit and for-profit foreign graduate medical schools may participate in the Direct Loan Program.

A foreign graduate medical school is eligible to apply to participate in the Direct Loan Program if it:

- meets the general eligibility and participation requirements for foreign institutions;
- provides, and in the normal course requires its students to complete, a program of clinical training and classroom medical instruction of not less than 32 months in length, that is supervised closely by members of the school's faculty and that:
  - ◇ is provided in facilities adequately equipped and staffed to afford students comprehensive clinical training and classroom medical instruction,
  - ◇ is approved by all medical licensing boards and evaluating bodies whose views are considered relevant by the Department; and
  - ◇ as part of its clinical training, does not offer more than two electives consisting of no more than eight weeks per student at a site located in a foreign country other than the country in which the main campus is located or in the United States, unless that location is included in the accreditation of a medical program accredited by the Liaison Committee on Medical Education (LCME) or the American Osteopathic Association (AOA) (for more

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### Definition of a foreign graduate medical school

34 CFR 600.52, 600.55(a)(1)

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### General eligibility criteria

34 CFR 600.55(a)

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### Clinical training

34 CFR 600.52

Clinical training refers to the portion of a graduate medical education program that counts as a clinical clerkship for purposes of medical licensure and consists of core clinical training, required clinical rotations (the electives that students are required to take), and not required clinical rotations (the electives that students can choose).

information, see the discussion under *Location of the Program*);

- appoints for the program only those faculty members whose academic credentials are the equivalent of credentials required of faculty members teaching the same or similar courses at medical schools in the United States;

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**Requirement to notify accrediting body**

34 CFR 600.55(e)(2)

- has graduated classes during each of the two twelve-month periods immediately preceding the date the Department receives the school's request for an eligibility determination;

- for a for-profit foreign graduate medical school:

- ◇ no portion of the program may be at what would be an undergraduate level in the United States; and
- ◇ Direct Loan program eligibility does not extend to any undergraduate/graduate joint degree program.

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**Publication of instruction language**

34 CFR 600.55(g)(3)

- notifies its accrediting body within one year of any material changes in:

- ◇ the educational programs, including changes in clinical training programs, and
- ◇ the overseeing bodies and in the formal affiliation agreements with hospitals and clinics (for more information, see the discussion under *Requirements for Clinical Training*);

- publishes all the languages in which instruction is offered.

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**For-profit foreign graduate medical school**

34 CFR 600.54(f)

## ACCREDITATION

A foreign graduate medical school must be approved by an accrediting body:

- that is legally authorized to evaluate the quality of graduate medical school educational programs and facilities in the country where the school is located, and
- whose standards of accreditation of graduate medical schools have been evaluated by the National Committee on Foreign Medical Education and Accreditation (NCFMEA) and have been determined to be comparable to standards of accreditation applied to medical schools in the United States.

The NCFMEA is a committee of medical experts established by the Department to determine whether the medical school accrediting standards used in other countries are comparable to those applied to medical schools in the United States for purposes of evaluating the eligibility of accredited foreign graduate medical schools to participate in Direct Loan Program. The NCFMEA does not review or accredit individual foreign graduate medical schools.

The request by a foreign country for review is voluntary.

The countries that have been reviewed by the NCFMEA and found to use standards to accredit their medical schools that are comparable to the standards used to accredit medical schools in the United States, as well as additional information on the NCFMEA, can be found at <http://sites.ed.gov/ncfmea>.

## ADMISSION CRITERIA

A foreign graduate medical school having a post-baccalaureate/ equivalent medical program must require students accepted for admission who are U.S. citizens, nationals, or eligible permanent residents to have taken the Medical College Admission Test (MCAT) and to have reported their scores to the foreign graduate medical school. Foreign graduate medical schools are not required to give weight to a U.S. student's score on the MCAT as part of its admission requirements. Schools are required to submit MCAT scores for U.S. students to its accrediting body, and to the Department upon request (see *Collection and Submission of Data*).

A post-baccalaureate/ equivalent medical program is a program offered by a foreign graduate medical school that requires, as a condition of admission, that its students have already completed their non-medical undergraduate studies and that consists solely of courses and training leading to employment as a doctor of medicine or doctor of osteopathic medicine.

In addition, a foreign graduate medical school must determine and require the necessary consents of all students accepted for admission for whom the school must report certain data in accordance with the collection and submission requirements described under *Collection and Submission of Data*.

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### Accreditation

34 CFR 600.55(b)

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### Definition of NCFMEA

34 CFR 600.52

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### U.S. citizen, national, or eligible permanent resident

34 CFR 668.33(a)

#### Clarification

A person is a U.S. citizen by birth or by naturalization or by operation of law. Persons (except for the children of foreign diplomatic staff) born in the 50 states, the District of Columbia, and, in most cases, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands are U.S. citizens, as are most persons born abroad to parents (or a parent) who are citizens. All U.S. citizens are considered U.S. nationals, but not all nationals are citizens. Persons whose only connection to the United States is through birth on American Samoa, Swains Island, or the U.S. Minor Outlying Islands are not U.S. citizens but are nationals. Permanent residents are noncitizens who are legally permitted to live and work in the U.S. permanently. Also included are individuals who are in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident. For more information, see the *FSA Handbook*, Volume 1, Chapter 2.

**USMLE Pass Rate Requirement**

34 CFR 600.55(f)(1)(ii), (f)(2), (f)(3), and (f)(4)

**USMLE PASS RATE REQUIREMENT**

Unless exempt under the law, all foreign graduate medical schools must have annually at least a 75 percent pass rate on each step/test of the United States Medical Licensing Exam (USMLE) administered by the Educational Commission for Foreign Medical Graduates (ECFMG), including Step 1, Step 2-Clinical Knowledge (Step 2-CK), and Step 2-Clinical Skills (Step 2-CS).

The USMLE is the three-step examination for medical licensure in the U.S. that provides a comprehensive assessment of an individual's medical knowledge and skills. Step 1 assesses knowledge and application of basic science concepts; Step 2-CK tests an individual's ability to examine and interact with patients and colleagues; Step 2-CS assesses knowledge of clinical science principles; and Step 3 provides a final assessment of an individual's ability to assume independent delivery of general medical care.

**Passing score**

34 CFR 600.52

A passing score is the minimum passing score as defined by the ECFMG, or for Canadian schools, the USMLE Management Committee.

**Clarification**

Graduates of medical schools located outside of the U.S. and Canada must pass Step 1, Step 2-CK, and Step 2-CS to obtain certification from the ECFMG. ECFMG certification is required before a graduate of a medical school outside of the U.S. and Canada may apply to take Step 3 of the USMLE. ECFMG certification is also required to enter a medical residency program accredited by the Accreditation Council for Graduate Medical Education and to obtain an unrestricted license to practice medicine in the United States.

Schools meet this requirement if at least 75 percent of the school's students and graduates who took a step/test for the first time in the year preceding the reporting year received a passing score on the step/test. A graduate is a student who graduated from the school during the three years preceding the reporting year. For example, the pass rate that must be submitted to the Department in 2016 for Step 1 is determined as follows:

Students from the denominator who passed Step 1

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All students at the school in calendar year 2015 and all students who graduated in 2013, 2014, and 2015, who took Step 1 for the first time during calendar year 2015

If the result of any step/test pass rate is based on fewer than eight students, a single pass rate is determined for the school based on the performance of students and graduates on Step 1, Step 2- CS and Step 2-CK combined. If that combined pass rate is based on fewer than eight step/test results, the school is considered to have no pass rate for that year, and the results for the year are combined with each subsequent year until a pass rate based on at least eight step/test results can be derived. An otherwise eligible foreign graduate medical school maintains its eligibility for years for which it is considered to have no pass rate.

Pass rate scores must be submitted to the Department by April 30 of each year. For information on the submission of pass rate scores, see *Collection and Submission of Data*.

Schools that lose eligibility on this basis may reapply for participation in the Direct Loan Program after one year, if they can establish compliance with the pass rate requirement.

### *Exemptions*

The law exempts from the USMLE pass rate requirement foreign graduate medical schools located in Canada and foreign graduate medical schools that have a clinical training program that was approved by a State as of January 1, 1992, and that continue to operate a clinical training program in at least one State that approves the program.

## **CITIZENSHIP RATE REQUIREMENT**

The citizenship rate requirement provides that foreign graduate medical schools are not eligible to participate in the Direct Loan Program unless, in the preceding year, at least 60 percent of the school's full-time students and at least 60 percent of the school's most recent graduating class were persons who were neither U.S. citizens, nationals, nor permanent residents.

So, foreign graduate medical schools must compute two citizenship rates: (1) for students who were enrolled, but did not graduate, during the preceding calendar year, and (2) for individuals who did graduate during the preceding calendar year.

For the first rate, the foreign graduate medical school must include in the denominator all students who were enrolled as full-time students in the foreign graduate medical school at any time during the most recently completed calendar year, excluding students who graduated during that year. For the second rate, the foreign graduate medical school should include in the denominator all students who graduated during the most recently completed year. The school must include only those students enrolled in, or graduating from, educational programs intended to result in licensure to practice medicine.

In computing the numerators of both rates, the foreign graduate medical school must include only students or graduates, as applicable, who are neither U.S. citizens, nationals, nor permanent residents. The foreign medical school must exclude from the numerator at least:

- any students or graduates, as applicable, who were included in the denominator but who received Federal Family Education Loan Program loans or Direct Loans at any time during their enrollment;
- any students or graduates, as applicable, included in the denominator who applied for FSA Program funds in connection with their enrollment and were not found ineligible based on FSA Program citizenship requirements;
- any students or graduates, as applicable, included in the denominator who provided documentation to the school, such as a passport or visa, indicating that he or she was a U.S. citizen or national or other eligible non-citizen; and

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### **Citizenship pass rate requirement**

34 CFR 600.55(f)(1)(i)

- any students or graduates, if applicable, included in the denominators if information provided by the student or graduate to the school indicates that he or she was residing in the United States or its territories at the time of application for admission or between terms, absent documentation indicating that the student or graduate is neither a U.S. citizen or national, nor an otherwise eligible (i.e., permanent resident) noncitizen.

For example, the citizenship pass rates that must be submitted to the Department in 2016 are determined as follows:

Full-time student rate:

2015 full-time students who did not graduate in 2015 and were neither  
U.S. citizens, nationals, nor permanent residents

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Any student enrolled full time during 2014 who did not  
graduate in 2015

Graduates rate:

2015 graduates who did not graduate in 2015 and were neither U.S.  
citizens, nationals, nor permanent residents

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Any student who graduated in 2015

Schools that lose eligibility on this basis may reapply for participation in the Direct Loan Program after one year, if they can establish compliance with the citizenship requirement.

Foreign graduate medical schools that have a clinical training program that was approved by a State prior to January 1, 2008, and that continue to operate a clinical program in at least one State that approves the program are exempt from the citizenship rate requirement.

## COLLECTION AND SUBMISSION OF DATA

Foreign graduate medical schools are required to report on various aspects of their programs to improve the information available to students, and to inform future discussions regarding improvements that can be made to the law governing the participation of foreign graduate medical schools in the Direct Loan Program.

A foreign graduate medical school must obtain at its own expense and submit data to the Department on:

- pass rates on the USMLE;
- citizenship rates;
- completion rates; and
- median and mean student debt level.

A foreign graduate medical school must obtain at its own expense and submit data to its accrediting body, and to the Department upon request, on:

- MCAT scores; and
- placements in U.S. residency medical programs.

Foreign graduate medical schools must submit this information by April 30 following the end of each calendar year.

The Department publishes the USMLE pass rates, completion rates, and median and mean student debt level information for participating foreign graduate medical schools at <https://studentaid.ed.gov/prepare-for-college/choosing-schools/types/international>. To protect the privacy of students, the Department does not publish information about a foreign graduate medical school if the number of students used in the relevant calculation is fewer than eight.

### *USMLE pass rates and citizenship rates*

All foreign graduate medical schools, even those that are exempt from the USMLE pass rate requirement (discussed previously in this chapter), must submit to the Department all USMLE scores, disaggregated by step/test and attempt, earned during the preceding calendar year by each student and graduate, on Step 1, Step 2-CK, and Step 2-CS of the USMLE, together with the dates the student took each test, including any failed tests.

In addition, all foreign graduate medical schools that must meet the citizenship pass rate requirement (see *Citizenship Pass Rate Requirement*) must submit to the Department a statement of its citizenship rate for the preceding calendar year.

A foreign graduate medical school located outside of Canada may obtain USMLE scores from the ECFMG by submitting Form 173, Institutional Request for an Official USMLE® Transcript, available at <http://www.ecfm.org/forms/transcripts.html>. A foreign graduate medical school located in

### Address for submission of data to the Department

U.S. Department of Education  
Federal Student Aid, School Eligibility Channel  
Multi-Regional & Foreign Schools Participation  
Division  
Foreign Medical Schools USMLE, Citizenship &  
Consumer Information  
Union Center Plaza  
830 First Street, NE  
7th Floor  
Washington, DC 20002-5340

### Clarification

Canada may obtain USMLE scores from the National Board of Medical Examiners (NBME).

USMLE exam results must be accompanied by a transmittal letter on the institution's letterhead that is signed by the official responsible for signing the Program Participation Agreement for the foreign graduate medical school's participation in the Direct Loan Program. The transmittal letter should contain the school's computation of its USMLE pass rates. For information on how to calculate USMLE pass rates, see *USMLE Pass Rate Requirement*.

Likewise, citizenship rates are to be provided to the Department by the foreign graduate medical school in writing on the institution's letterhead and signed by the official responsible for signing the Program Participation Agreement for the foreign graduate medical school's participation in the Direct Loan Program. The transmittal letter should describe the computation of the two citizenship rates (see sidebar for address).

### **Alternate means of submission**

Although the regulations provide for the submission of USMLE pass rates directly from the ECFMG to the Department under some circumstances, this option is not currently available. 34 CFR 600.55(d)(2).

### *MCAT scores and placement in U.S. residency medical programs*

Foreign graduate medical schools must collect and submit to their accrediting bodies, and to the Department upon request, MCAT scores, including the number of times a student took the examination, for all students admitted during the preceding calendar year who are U.S. citizens, nationals or eligible permanent residents. A foreign graduate medical school is required to have U.S. students report only one MCAT score; they are not required to collect scores for each time a student took the MCAT.

Foreign graduate medical schools are also required to collect and submit to their accrediting bodies, and to the Department upon request, placements in U.S. residency medical programs for students graduating during the preceding calendar year, including at least all graduates who are U.S. citizens, nationals, or eligible permanent residents.

### *Completion rates and median and mean student debt level*

Foreign graduate medical schools must report completion rates and median and mean student debt levels for students. Foreign graduate medical schools must submit, on an educational program by program basis, the data described below, to the Department by the April 30 following the end of each calendar year, starting with April 30, 2013:

- The on-time completion rate for U.S. students completing the medical program in the previous calendar year (e.g., calendar year 2014 for the April 30, 2015, submittal), where a student will be considered to have completed the medical program “on-time” if the student completes all requirements for the degree within the time specified in the institution's catalog or on its website;
- The median and mean FSA loan program debt, the median and mean private educational loan debt, the median and mean institutional education loan debt, and the median and mean combined educational loan debt incurred by U.S. students who completed the program in the previous calendar year. These medians and means should include only the debt incurred by the students for attendance in the medical program.

For the purposes of the median and mean FSA loan program debt reporting requirements, all loans provided under the Direct Loan Program and the Federal Family Education Loan (FFEL) Program are to be included in the calculation of loan debt.

For the private educational loan median and mean loan debt, a private education loan means an extension of credit that:

- is not made, insured, or guaranteed under title IV of the Higher Education Act of 1965;
- is extended to a consumer expressly, in whole or in part, for postsecondary educational expenses, regardless of whether the loan is provided by the educational institution that the student attends;
- does not include open-end credit or any loan that is secured by real property or a dwelling; and
- does not include an extension of credit in which the covered educational institution is the creditor if the term of the extension of credit is 90 days or less, or an interest rate will not be applied to the credit balance and the term of the extension of credit is one year or less (even if the credit is payable in more than four installments).

Examples of private education loans include, but are not limited to, loans made expressly for educational expenses by financial institutions, credit unions, institutions of higher education or their affiliates, and States and localities.

For the median and mean institutional education loan debt, institutions must include any loan (other than a Direct Loan, FFEL program loan, or a loan that would be considered a private education loan), extension of credit, payment plan, or other financing mechanism that results in a debt obligation that a student must pay to an institution after completing the program and that is outstanding at the time that the student completes the program.

For the median and mean combined education loan debt, the combined education loan debt includes all loans provided under the Direct Loan and FFEL Programs, private education loans, as defined above, and institutional education loan debt, as defined above.

 The *Foreign Medical School Consumer Information Form* used to submit this information is included at the end of this chapter.

## REQUIREMENTS FOR CLINICAL TRAINING

A foreign graduate medical school must have a formal affiliation agreement with any hospital or clinic at which all or a portion of the school's core clinical training or required clinical rotations are provided.

For any hospital or clinic at which all or a portion of its clinical rotations that are not required are provided, a foreign graduate medical school must have either a formal affiliation agreement or other written arrangements with

### Completion rates and median and mean student debt level

Dear Colleague Letter GEN-12-20, November 7, 2012

### Authority for collection

Institutions that participate in the FSA programs must submit reports to the Department containing such information as the Department may reasonably require to carry out the purposes of the FSA programs. 34 CFR 668.14(b)(7)

### Requirements for clinical training

34 CFR 600.55(e)

the hospital or clinic, except for those locations that are not used regularly, but instead are chosen by individual students who take no more than two electives at the location for no more than a total of eight weeks.

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### Definition of a private education loan

The Truth-in-Lending regulations, 12 CFR 226.46(b)(5)

To ensure continuity of the eligible program from the main campus to remote locations, the formal affiliation agreements and written arrangements must state how the following will be addressed at each site:

- maintenance of the school's standards;
- appointment of faculty to the medical school staff;
- design of the curriculum;
- supervision of students;
- evaluation of student performance; and
- provision of liability insurance.

As mentioned previously, a foreign graduate medical school must notify its accrediting body within one year of any material changes in the educational programs, including changes in clinical training programs, in the overseeing bodies, and in the formal affiliation agreements with hospitals and clinics.

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### Location of the program

34 CFR 600.55(h)

## LOCATION OF THE PROGRAM

A foreign graduate medical program offered to U.S. students:

- must be located in the country in which the main campus of the school is located, except for the clinical training portion of the program, and
- must be in a country whose medical school accrediting standards are comparable to U.S. standards as determined by the NCFMEA, except for exempt clinical training sites (see box), or clinical sites located in the U.S. (which, of course, are subject to U.S. standards).

Unless a clinical training site is an exempt clinical training site, for students to be eligible to receive Direct Loan funds at any part of the clinical training portion of the program located in a foreign country other than the country where the main campus of the foreign graduate medical school is located or in the U.S.:

- the school's medical accrediting agency must have conducted an on-site evaluation and approved the clinical training site, and
- the clinical instruction must be offered in conjunction with programs offered to students enrolled in accredited schools located in that approved foreign country.

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### Clinical training

34 CFR 600.52

The portion of a graduate medical education program that counts as a clinical clerkship for purposes of medical licensure comprising core, required clinical rotation, and not required clinical rotation.

## Exempt Clinical Training Sites

- The location of the clinical training site is included in the accreditation of a medical program accredited by the Liaison Committee on Medical Education (LCME) or the American Osteopathic Association (AOA), **OR**
- No individual student takes more than two electives at the location and the combined length of the electives does not exceed eight weeks.

### SATISFACTORY ACADEMIC PROGRESS

To be eligible for FSA program funds, a student must make satisfactory academic progress, and institutions must have a reasonable policy for monitoring that progress. The Department considers an institution's satisfactory academic progress policy to be reasonable if it meets both the qualitative and quantitative criteria required by FSA program regulations.

An institution's satisfactory academic progress policy must specify the quantitative standard (pace) at which students must progress through their program to ensure that they will graduate within the maximum timeframe, and each academic progress check must measure this.

While for most graduate programs the institution defines the maximum timeframe for completion of the program, at a foreign graduate medical school, the maximum timeframe in which a student must complete his or her educational program must be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc., as appropriate.

For additional information on satisfactory academic progress, including qualitative criteria, how an institution calculates the pace at which the student is progressing, how often an institution must evaluate a student's progress, and the treatment of course incompletes, withdrawals, repetitions, or transfers of credit from other institutions see the *FSA Handbook*, Volume 1, Chapter 1.

A foreign graduate medical school must document the educational remediation it provides to assist students in making satisfactory academic progress.

### APPLICATION INFORMATION

A foreign graduate medical school (again, meaning a freestanding foreign graduate medical school or a foreign institution that includes a graduate medical school) that applies or reapplies to participate in the Direct Loan Program must provide certain information in addition to the information required of all institutions.

### SAP at foreign graduate medical schools

34 CFR 600.55(g)(1) and (2)

### Application information

34 CFR 600.20(a)(3), 600.20 (b)(3), 600.20 (c)(5) and 600.21(a)(10)

For initial certification or for recertification, a foreign graduate medical school is required to:

- indicate whether it offers only post-baccalaureate/equivalent medical programs, other types of programs that lead to employment as a doctor of osteopathic medicine, doctor of medicine, or both, so that the Department may track and enforce provisions specific to post-baccalaureate/equivalent medical programs;
- list on the application all educational sites and where they are located, except for those locations that are not used regularly, but instead are chosen by individual students who take no more than two electives at the location for no more than a total of eight weeks;
- for each clinical site, identify the type of clinical training (core, required clinical rotation, not required clinical rotation) offered at that site; and
- provide copies of the affiliation agreements with hospitals and clinics that it is required to have to participate in the Direct Loan Program (see *Requirements for Clinical Training*).

When a foreign graduate medical school adds a location that offers all or a portion of the school's core clinical training or required clinical rotations and wishes to provide Direct Loan Program funds to the students at that location, the school must apply and wait for approval from the Department before disbursing Direct Loan Program funds, except for those locations that are included in the accreditation of a medical program accredited by the LCME and the AOA.

When a foreign graduate medical school adds a location that offers all or a portion of the school's clinical rotations that are not required, and wishes to provide Direct Loan Program funds to the students at that location, the school must notify the Department no later than 10 days after the location is added, except for those locations that are included in the accreditation of a medical program accredited by the LCME, the AOA, or those locations that are not used regularly, but instead are chosen by individual students who take no more than two electives at the location for no more than a combined total of eight weeks.

## **Instructions for Completing the Foreign Medical School Consumer Information Form**

### **Reporting Requirements and Definition of U.S. Student:**

- ◆ Reporting. The Foreign Medical School Consumer Information Form, issued by the Secretary and included as Attachment A, should be mailed to the Department by April 30 of each year, accompanied by a certification on letterhead stationery signed by the President/CEO/Chancellor, in accordance with the certification instructions included in Attachment A.
- ◆ U.S. Student. The definition of U.S. Student for the purposes of this consumer information collection is in 34 CFR 668.33
  - ◇ (a)(1) “Be a citizen or national of the United States; or”
  - ◇ (2) “Provide evidence from the U.S. Immigration and Naturalization Service that he or she – (i) Is a permanent resident of the United States; or
  - ◇ (ii) Is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident;...”

### **Information to Report to the U.S. Department of Education**

The following is a summary of the information that must be reported by a foreign institution for each of its approved graduate medical programs:

- ◆ The on-time completion rate for U.S. students completing the program
- ◆ The median and mean Title IV loan debt incurred by U.S. students who completed the program
- ◆ The median and mean private loan debt incurred by U.S. students who completed the program
- ◆ The median and mean institutional financing debt incurred by U.S. students who completed the program
- ◆ The combined median and mean debt incurred by U.S. students who completed the program

Foreign graduate medical institutions are required to report to the Department the consumer information listed above. The Department will publish this information on a Departmental consumer website. The data used for the calculations is that for the cohort of U.S. students that completed all the requirements for the medical degree in the prior calendar year. The reporting data due on April 30, 2016, would include information applicable to U.S. students who completed all the requirements for the medical degree during the calendar year that ended December 31, 2015.

## **Calculation of Data Elements**

Below is some information on each of the data elements included on the reporting form.

### **1) Loan Definitions**

For the purposes of the median and mean Title IV loan debt, all loans provided under the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program are to be included in the calculation of Title IV loan debt.

For the median and mean private educational loan debt, the Truth-in-Lending regulations, at 12 CFR 226.46(b)(5), provide the definition of a private education loan. Examples of private education loans include, but are not limited to, loans made expressly for educational expenses by financial institutions, credit unions, institutions of higher education or their affiliates, and States and localities.

For the median and mean institutional education loan debt, institutions must include any loan (other than an FFEL or Direct Loan or a loan that would be considered a private education loan), extension of credit, payment plan, or other financing mechanism that results in a debt obligation that a student must pay to an institution after completing the program and that is outstanding at the time that the student completes the program.

For the median and mean combined education loan debt, the combined education loan debt includes all loans provided under the FFEL and Direct Loan Programs, private education loans, as defined above, and institutional education loan debt, as defined above.

### **2) On-Time Completion Rate**

Normal completion time is defined as the amount of time necessary for a student to complete all requirements for the degree or certificate as provided in the institution's catalog or other promotional materials. Note that "normal time" is not 150% of the published time.

To calculate the on-time completion rate, divide the number of U.S. students who completed the program during the most recently completed calendar year within normal time by the total number of U.S. students who completed the program in the most recently completed calendar year and multiply the result by 100.

Example: During the 2015 calendar year, 100 U.S. students completed the program but only 75 of them completed in normal time. Divide 75 by 100 to get .75. Then multiply .75 times 100 to get 75. Thus for this program, 75% is the "on time completion rate."

Leaves of absence are to be included when determining whether a student completed a program within normal time. For example, if the normal time to compete a Medical Program is 2 years and a student

took 2.5 years to complete because of a 6 month leave of absence, the student would NOT be one that can be included as having completed the Medical Program within normal time when calculating the Medical Program's completion rate. Thus, students who do not complete the Medical Program in normal time because of a leave of absence (or any other reason) are to be included in the denominator of the completion rate fraction but not in the numerator.

### **3) Calculating Median Loan Debt**

The median is the middle value in a distribution of values, above and below, which lie an equal number of values. To calculate the median loan debt for a program, an institution would follow these steps. Step 1: Determine which U.S. students completed the Medical Program in the most recently completed calendar year.

Step 2: Arrange each student's debt in ascending order, including students with zero debt. Step 3: Identify the middle value since the median is the middle value in the distribution of all values. If there is an even number of values in the distribution and thus there is no middle value, calculate the mean (average) of the two values at the halfway point. Example A: The following are the loan debt values for nine U.S. students who completed the Medical Program in the 2015 calendar year listed in ascending order:

1. \$0
2. \$0
3. \$1000
4. \$1750
5. \$2343
6. \$4709
7. \$6881
8. \$6881
9. \$9995

Since this distribution includes an odd number of values, the median loan debt is \$2343 because the fifth value is the "middle" number when these debts are ranked in ascending order. Example B: The following are the loan debt values for twelve (12) U.S. students who completed the Medical Program in the 2015 calendar year listed in ascending order:

1. \$0
2. \$0
3. \$500
4. \$1674
5. \$2126
6. \$3000
7. \$4000
8. \$4000
9. \$6524

10. \$8326
11. \$8591
12. \$10000

Since this distribution includes an even number of values, to determine the median loan debt for these twelve students the institution must calculate the mean of the sixth and seventh values ( $\$3000 + \$4000 = \$7000$ ;  $\$7000 \div 2 = \$3500$ ). The median loan debt for this cohort of twelve students is \$3500.

When calculating the median Title IV debt and private educational loan debt for a Medical Program's reporting information, the total amount that each U.S. student received for attendance in the Medical Program, without regard to how much went to institutional charges, is to be included. For example, a U.S. student may have received a loan totaling \$10,000 for attendance in a Medical Program where \$6,000 went to pay institutional charges and \$4,000 was provided to the U.S. student to meet other educational expenses (e.g., books and supplies, living expenses). When calculating the median loan debt for the report, this U.S. student would be considered to have \$10,000 in loan debt. For debt from institutional financing, the amount to be used in the calculation is the amount the U.S. student has outstanding upon leaving the program.

#### **4) Calculating Mean Loan Debt**

The mean is the average value of a distribution of values. To calculate the mean loan debt for a program, an institution would follow these steps:

Step 1: Determine the number of U.S. students who completed the Medical Program in the most recently completed calendar year.

Step 2: Add the amount of each U.S. student's Title IV debt, private education loan debt, and institutional loan debt, including students with zero loan debts.

Step 3: Divide the total amount of each type of debt determined in Step 2 by the number of U.S. students determined in Step 1.

The outcome from Step 3 is the mean loan debt.

An institution must include in its reporting its own calculation of median and mean debt, separately showing Title IV debt and other educational debt as well as the combined debt.

To satisfy the annual consumer information reporting requirement, complete the following information and submit to the Foreign Schools Participation Division at the following address:

U.S. Department of Education, Federal Student Aid  
Multi-Regional and Foreign Schools Participation Division  
Foreign Medical Schools USMLE, Citizenship and Consumer Information  
830 First Street NE, Room 73C3  
Union Center Plaza, 7th Floor, Room UCP-73C3  
Washington, DC 20002-5340

| <b>Foreign Graduate Medical School Consumer Information Reporting Form</b>  |                             |
|---|-----------------------------|
| OMB No.: 1845-0117  | Expiration Date: 06/30/2016 |
| Institution name  |                             |
| OPEID   |                             |
| Name of medical program   |                             |
| Length of medical program   |                             |
| Most recently completed calendar year   |                             |
| Number of U.S. students completing medical program on-time in the most recently completed calendar year   |                             |
| Number of U.S. students completing medical program in the most recently completed calendar year   |                             |
| On-time completion rate for U.S. students completing medical program in the most recently completed calendar year                                 |                             |
| Median Title IV loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year                |                             |
| Median private education loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year       |                             |
| Median institutional education loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year |                             |
| Median combined educational loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year    |                             |
| Mean Title IV loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year                  |                             |
| Mean private education loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year         |                             |
| Mean institutional education loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year   |                             |
| Mean combined educational loan debt incurred by U.S. students who completed the medical program in the most recently completed calendar year      |                             |

### **Certification of Information Required on Institution's Letterhead Stationery**

You must also include a signed certification on your institution's letterhead that includes the following information on the data being provided. Please have the President/CEO/Chancellor or appropriate designee review, sign, and date this document:

I hereby certify, to the best of my knowledge and belief that all the information provided on on-time completion rates, and mean and median debt for U.S. students is true and correct. I understand that if my institution provides false or misleading information, the U.S. Department of Education can take an administrative action to end our participation in the U.S. student loan program.

Signature of President/CEO/Chancellor

\_\_\_\_\_

Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_

### Paperwork Reduction Act Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a currently valid OMB control number. Public reporting burden for this collection of information is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required by 34 CFR 668.14(b)(7). Send comments regarding the burden estimate(s) or any other aspect of this collection of information, including suggestions for reducing this burden to the Multi-Regional and Foreign Schools Participation Division directly at 202-377-3168 or email [fsa.foreign.schools.team@ed.gov](mailto:fsa.foreign.schools.team@ed.gov).

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# Foreign Veterinary Schools & Nursing Schools

*In addition to the eligibility requirements discussed in Chapter 1 and Chapter 2, foreign veterinary schools and foreign nursing schools must comply with additional requirements to be eligible to participate in the Direct Loan Program.*

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## FOREIGN VETERINARY SCHOOLS

To be eligible to participate in the Direct Loan Program, a foreign veterinary school must be either a freestanding foreign institution or a component of a foreign university that has as its sole mission the providing of an educational program that leads to the degree of doctor of veterinary medicine, or the equivalent. Both nonprofit and for-profit foreign veterinary schools may participate in the Direct Loan Program.

A foreign veterinary school is eligible to apply to participate in the Direct Loan Program if, in addition to satisfying the general eligibility criteria applicable to all foreign schools, it:

- provides, and in the normal course requires its students to complete, a program of clinical and classroom veterinary instruction that is:
  - ◇ supervised closely by members of the school's faculty, and provided in facilities adequately equipped and staffed, to afford students comprehensive clinical and classroom veterinary instruction through a training program for foreign veterinary students; and
  - ◇ approved by all veterinary licensing boards and evaluating bodies whose views are considered relevant by the Department;
- has graduated classes during each of the two twelve-month periods immediately preceding the date the Department receives the school's request for an eligibility determination;
- employs for the program only those faculty members whose academic credentials are the equivalent of credentials required of faculty members teaching the same or similar courses at veterinary schools in the United States; and

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### Foreign Veterinary Schools

20 U.S.C. 1002(a)(2)(A), 34 CFR 600.56

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### Definition of a foreign veterinary school

34 CFR 600.52, 600.56(a)

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### Criteria for participation

34 CFR 600.56(a)

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### For-profit foreign veterinary school

34 CFR 600.54(f)

- beginning July 1, 2015, foreign veterinary schools must be accredited or provisionally accredited by an organization acceptable to the Department for the purpose of evaluating veterinary programs to participate in the Direct Loan program. The Department's *Guidelines for Requesting an Acceptability Determination for a Foreign Veterinary Accrediting Agency* is available at <https://opeweb.ed.gov/aslweb/index.cfm>. 

The list of veterinary organizations evaluated by the Department and the Department's decision regarding the acceptability of the organization for purposes of evaluating veterinary programs for participation in the Direct Loan program are available at <https://opeweb.ed.gov/aslweb/finalstaffreports.cfm>. 

For a for-profit foreign veterinary school:

- no portion of the program may be at what would be an undergraduate level in the United States; and
- Direct Loan program eligibility does not extend to any undergraduate/graduate joint degree program. 

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### Location of the program

34 CFR 600.56(b)

#### LOCATION OF THE PROGRAM

No portion of the foreign veterinary educational program offered to U.S. students, other than the clinical training portion of the program, may be located outside of the country in which the main campus of the foreign veterinary school is located.

To be eligible for Direct Loan funds, U.S. students who attend a for-profit foreign veterinary school must complete their clinical training at an approved veterinary school located in the United States.

U.S. students who attend a non-profit foreign veterinary school may complete their clinical training at an approved veterinary school located:

- in the United States;
- in the home country (i.e., the country in which the main campus of the foreign veterinary school is located); or
- outside of the United States or the home country, if:
  - the location is included in the accreditation of a veterinary program accredited by the American Veterinary Medical Association (AVMA), or
  - no individual student takes more than two electives at the location and the combined length of the elective does not exceed eight weeks.

## FOREIGN NURSING SCHOOLS

Both public and private nonprofit and for-profit foreign nursing schools may participate in the Direct Loan Program. To be eligible to participate in the Direct Loan Program, a foreign nursing school must be either a freestanding foreign institution or a component of a foreign university that is an associate degree school of nursing, a collegiate school of nursing, or a diploma school of nursing. These terms are defined as follows:

**Associate degree school of nursing:** A school that provides primarily or exclusively a two-year program of postsecondary education in professional nursing leading to a degree equivalent to an associate degree in the United States.

**Collegiate school of nursing:** A school that provides primarily or exclusively a minimum of a two-year program of postsecondary education in professional nursing leading to a degree equivalent to a bachelor of arts, bachelor of science, or bachelor of nursing in the United States, or to a degree equivalent to a graduate degree in nursing in the United States, and including advanced training related to the program of education provided by the school.

**Diploma school of nursing:** A school affiliated with a hospital or university, or an independent school, which provides primarily or exclusively a two-year program of postsecondary education in professional nursing leading to the equivalent of a diploma in the United States or to equivalent indicia that the program has been satisfactorily completed.

A foreign nursing school is eligible to apply to participate in the Direct Loan Program if, in addition to satisfying the general eligibility criteria applicable to all foreign schools:

- the nursing school has an agreement with a hospital located in the United States or an accredited school of nursing located in the United States that requires students of the nursing school to complete the student's clinical training at the hospital or accredited school of nursing;
- the nursing school has an agreement with an accredited school of nursing located in the United States providing that students graduating from the nursing school located outside of the United States also receive a degree from the accredited school of nursing located in the United States;
- the school provides (including under the agreements required for clinical training and the receipt of a degree from a U.S. nursing school) and in the normal course requires its students to complete, a program of clinical and classroom nursing instruction that is:
  - ◇ supervised closely by members of the school's faculty, and provided in facilities adequately equipped and staffed to afford students comprehensive clinical and classroom nursing instruction, through a training program for foreign nursing students; and

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### Foreign Nursing Schools

20 U.S.C. 1002(a)(2)(A), 34 CFR 600.57(a)

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### Definition of a foreign nursing school

34 CFR 600.52, 600.57

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### Criteria for participation

34 CFR 600.57(a)

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### Cost of a loan default

34 CFR 600.57(b) and (c)

The cost of a loan default is the estimated future cost of collections on the defaulted loan. The Department continues to collect on the Direct Loan after a school reimburses the Department until the loan is paid in full or otherwise satisfied, or the loan account is closed out.

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### Passing score

34 CFR 600.52

A passing score is the minimum passing score as defined by the NCLEX-RN.

- ◇ approved by all nurse licensing boards and evaluating bodies whose views are considered relevant by the Department;
- the nursing school certifies only Federal Direct Stafford Loan program loans or Federal Direct PLUS program loans for students attending the nursing school;
- the nursing school reimburses the Department for the cost of any loan defaults for current and former students included in the calculation of the institution's cohort default rate during the previous fiscal year;
- the nursing school annually either:
  - ◇ obtains, at its own expense, all results achieved by students and graduates who are U.S. citizens, nationals, or eligible permanent residents on the National Council Licensure Examination for Registered Nurses (NCLEX-RN), together with the dates the student has taken the examination, including any failed examinations, and provides such results to the Department; or
  - ◇ obtains a report or reports from the National Council of State Boards of Nursing (NCSB), or an NCSB affiliate or NCSB contractor, reflecting the percentage of the school's students and graduates taking the NCLEX-RN in the preceding year who received a passing score on the examination, or the data from which the percentage could be derived, and provides the report to the Department;
- the nursing school determines the consent requirements for and requires the necessary consents of all students accepted for admission who are U.S. citizens, nationals, or eligible permanent residents to enable the school to comply with the collection and submission requirements for NCLEX-RN data;
  - not less than 75 percent of the school's students and graduates who are U.S. citizens, nationals, or eligible permanent residents who took the NCLEX-RN in the year preceding the year for which the institution is certifying a Federal Direct Stafford Loan or a Federal Direct PLUS Loan, passed the examination;
  - the school has graduated classes during each of the two twelve-month periods immediately preceding the date the Department receives the school's request for an eligibility determination; and
  - the school employs only those faculty members whose academic credentials are the equivalent of credentials required of faculty members teaching the same or similar courses at nursing schools in the United States.

For a for-profit foreign nursing school:

- no portion of the program may be at what would be an undergraduate level in the United States; and
- Direct Loan program eligibility does not extend to any undergraduate/graduate joint degree program.

**Clarification**

**NEW** The mailing address for the submission of NCLEX-RN pass rate information is:

**U.S. Department of Education  
Federal Student Aid, School Eligibility Channel  
Multi-Regional and Foreign Schools Participation Division  
Foreign Nursing Schools NCLEX-RN Information  
Union Center Plaza  
830 1st St NE  
7th Floor  
Washington DC 20002-5340**

#### *Location of the program*

No portion of the foreign nursing program offered to U.S. students may be located outside of the country in which the main campus of the foreign nursing school is located, except for clinical sites located in the United States.

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#### **For-profit foreign nursing school**

34 CFR 600.54(f)

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#### **Location of the program**

34 CFR 600.57(d)]