

# Appendix B:

## Checklist—Participation Requirements

see Volume 2 of the Federal Student Aid Handbook for details

### *Required electronic processes*

A school must be able to exchange data electronically with FSA's systems. This includes:

- ✓ using the E-App to submit and update the school's eligibility information: **[www.eligcert.ed.gov](http://www.eligcert.ed.gov)**
- ✓ enrolling in the Student Aid Internet Gateway (SAIG) and setting up a mailbox to receive electronic files: **[www.fsawebenroll.ed.gov](http://www.fsawebenroll.ed.gov)**
- ✓ using *FAA Access* or its SAIG mailbox to exchange FAFSA or ISIR data with the Department's Central Processing System:  
**<http://www.fafsa.ed.gov/FOTWebApp/faa/faa.jsp>**  
or **[www.saigportal.ed.gov](http://www.saigportal.ed.gov)**
- ✓ using the COD Website or SAIG mailbox to exchange award and disbursement data for Pell Grants, ACG/SMART grants, and Direct Loans:  
**[cod.ed.gov](http://cod.ed.gov)** or **[www.saigportal.ed.gov](http://www.saigportal.ed.gov)**
- ✓ using the eCampus-Based (eCB) System to file the FISAP application and report (see Volume 6):  
**[www.cbfsap.ed.gov](http://www.cbfsap.ed.gov)**
- ✓ submitting the school's Federal Perkins Loan data, student enrollment records, FSA program overpayments, and Transfer Student Monitoring records to the National Student Loan Data System (NSLDS):  
**<https://www.nslsdfap.ed.gov/secure/logon.asp>**
- ✓ electronically submitting the school's annual compliance and financial statement audits, and any other required audits: **[ezaudit.ed.gov](http://ezaudit.ed.gov)**
- ✓ using the Default Management Web site to receive draft and official cohort default rate data electronically:  
**[ifap.ed.gov/DefaultManagement](http://ifap.ed.gov/DefaultManagement)**
- ✓ using the Information for Financial Aid Professionals (IFAP) Web site to review Dear Colleague Letters, announcements, or Federal Registers: **[ifap.ed.gov](http://ifap.ed.gov)**

### *Academic requirements & standards*

- ✓ Academic progress policy. A school must have a satisfactory academic progress policy that includes a qualitative and quantitative standard and is at least as strict for FSA recipients as non-FSA recipients.
- ✓ Ability to Benefit limits. An eligible institution may admit as regular students only persons who have a high school diploma or its recognized equivalent, or persons who are beyond the age of compulsory school attendance in the state in which the school is located. To be eligible for Federal Student Aid, students who are beyond the age of compulsory attendance but who do not have a high school diploma or its recognized equivalent must meet ability-to-benefit criteria or meet the student eligibility requirements for a student who is home schooled. No more than 50% of a school's regular students may be enrolled without a high school diploma or equivalent at a school that does not provide a 4-year bachelor's degree or 2-year associate degree program.
- ✓ GED preparatory program. A school that admits students without a high school diploma or its recognized equivalent (except home-schooled students) must make a GED preparatory program available to its students.
- ✓ A school may not deny readmission to a service member of the uniformed services for reasons relating to that service.
- ✓ Withdrawal rates. Schools that seek to participate in an FSA program for the first time must have an undergraduate withdrawal rate for regular students of no more than 33% for an award year in order to be considered administratively capable.
- ✓ Incarcerated student limits. No more than 25% of a school's regular students may be incarcerated students. (A public or private non-profit school can request a waiver from ED.)
- ✓ Correspondence study limits & distance education

## General school requirements

- ✓ Fire safety. A school must maintain a log that records all fires in on-campus student housing facilities and publish an annual fire safety report with campus fire safety practices and standards of the school.
- ✓ Missing persons policy. A school that provides on-campus housing must establish a missing student notification policy for students.
- ✓ Anti-drug abuse. To participate in any FSA program, a school must certify on the E-APP that it has implemented a program to prevent drug and alcohol abuse by its students and employees. To participate in the Campus-Based programs, a school must annually certify on its application for funds that it provides a drug-free workplace.
- ✓ Timely reporting of crimes. Schools must have policies that encourage complete timely reporting of all crimes to the campus police and appropriate law enforcement agencies.
- ✓ Testing emergency/evacuation procedures. A school must test emergency response and evacuation procedures annually.
- ✓ Copyrighted Material. The school must certify that it has developed plans to effectively combat the unauthorized distribution of copyrighted material and will, to the extent practicable, offer alternatives to illegal downloading or peer-to-peer distribution of intellectual property.
- ✓ Voter registration. If your school is located in a state that has not enacted the motor vehicle/voter registration provisions of the National Voter Registration Act, it is required to make a good faith effort to distribute voter registration forms to its students.
- ✓ Private education loan certification. Upon request from a student or parent who is applying for a private education loan, a school must provide the disclosure form required under The Truth in Lending Act and the information needed to complete the form (to the extent the school has that information).
- ✓ Prohibition on use of FSA funds for lobbying. FSA funds may not be used to pay any person for attempting to influence
  - a Member of Congress or an employee of a Member of Congress, or
  - an officer or employee of Congress or any agency.
 In addition, FSA funds may not be used to hire a registered lobbyist or to pay any person or entity for securing an earmark.

## Reporting to ED

- ✓ Contracts with 3rd-party servicers. Schools are required to notify the Department of all existing third party servicer contracts by using Section J of the E-App.
- ✓ Lobbying certification & disclosure. Any school receiving more than \$100,000 for its participation in the Campus-Based programs must provide an annual certification with its FISAP not use federal funds to pay a person for lobbying activities in connection with federal grants or cooperative agreements. If the school has used nonfederal funds to pay a nonschool employee for lobbying activities, the school must disclose these lobbying activities to the Department.
- ✓ Reporting foreign sources. Most postsecondary schools must report ownership or control by foreign sources, as well as contracts with or gifts from the same foreign source that, alone or combined, have a value of \$250,000 or more for a calendar year.

## Administrative restrictions

- ✓ Incentive compensation. A school may not make any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any individual or entity engaged in recruiting or admission activities or in making decisions regarding the award of FSA program funds.
- ✓ Prohibited activities in loan programs. A school is prohibited from paying points, premiums, payments, or additional interest of any kind to an eligible lender or other party in order to induce a lender to make loans to students at the school or to the parents of the students.
- ✓ Preferred Lender Lists. Schools with preferred lender arrangements must compile and make available a list of the lenders that it promotes and recommends. ]

## Restrictions & prohibitions that apply to the owners, officials, or staff of the school

- ✓ Code of Conduct. Schools that participate in the FSA loan programs must develop and enforce a code of conduct.
- ✓ Restrictions on advisory board compensation. A person employed in a financial aid office who serves on an advisory board cannot receive anything of value from the lender but can receive reimbursement for reasonable expenses associated with participation. (A school must report annually to ED any such reimbursement paid to an employee in the financial aid office, or to employees who have responsibilities with respect to financial aid at the school.)
- ✓ Outstanding liabilities. A person who exercises substantial control over the school (or any members

of the person's family alone or together) may not owe a liability for an FSA program violation, or have ever exercised substantial control over another school (or a third-party servicer) that owes a liability for an FSA program violation.

- ✓ Crimes involving FSA funds. Schools are prohibited from having as principals or employing, or contracting with other organizations that employ individuals who have pled *nolo contendere* or guilty to a crime involving the misuse of government funds.
- ✓ Debarment & suspension. A school may not employ in a management or supervisory capacity an individual who has been suspended, or debarred by a federal agency. Similarly, a school may not have a relationship with a lender, third-party servicer, or loan servicer that has been debarred or suspended.

### **Administrative requirements for financial aid**

- ✓ Coordinating official. A participating school must designate a capable individual to administer the FSA programs and to coordinate aid from these programs with all other aid received by students attending the school.
- ✓ Consistency of information. A school must have a system of identifying and resolving discrepancies in all FSA-related information received by any school office.
- ✓ Adequate staff. The aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel.
- ✓ Checks & balances. A school must have an adequate system of internal checks and balances, including, at a minimum, separation of the functions of awarding and disbursing funds.
- ✓ Counseling. Schools must provide adequate financial aid counseling to all enrolled and prospective students, including entrance and exit counseling.
- ✓ OIG referrals. A school must refer to the Department's Office of Inspector General (OIG) any credible information indicating that an applicant for Federal Student Aid may have engaged in fraud or other criminal misconduct in connection with his or her application.

### **Providing consumer information**

- ✓ Information about the school's programs and facilities. A school must provide students and prospective students with information about the school and its operations, such as the school's accreditation and licensure, the faculty and other instructional staff, degree and certificate programs, any plans the school has for improving the academic programs [NEW], instructional and laboratory facilities, special facilities for disabled students, and student body diversity in the categories of gender and ethnicity of enrolled (and full-time students who receive Federal Pell Grants).
- ✓ Information about the school's policies. A school must provide information about its satisfactory progress policy, school policies on transfer of credit, and other policies relating to copyright infringement, fire safety, vaccination, missing persons procedures, emergency and evacuation procedures, etc.
- ✓ Information about costs. A school must provide information on the costs of attending the school, and it must include, on its Internet course schedule, the International Standard Book Number (ISBN) and retail price for required and recommended textbooks and supplemental material (alternatives are discussed in the FSA Handbook, Vol. 2).
- ✓ Financial aid information. A school must inform students about federal, state, local, and private sources of aid, application procedures, need analysis, packaging policies, and the required return of aid when a student withdraws.
- ✓ Placement/matriculation of graduates. A school must provide information on the placement of and types of employment obtained by graduates of the school's degree or certificate programs, and the types of graduate and professional education in which graduates of the school's 4-year degree programs enrolled.
- ✓ Retention rates. A school must disclose the retention rates of certificate- or degree-seeking first-time full-time undergraduate students.
- ✓ Completion/graduation rates (Student Right-to-Know). A school that awards athletically-related aid must disclose information on Graduation, Completion, and Transfer-Out Rates for student-athletes and the general student body at the school.
- ✓ Athletic funding/participation (Equity in Athletics). Any coeducational school that has an intercollegiate athletic program must disclose participation rates, funding support, and other information for its athletic programs.
- ✓ Loan counseling. A school must provide loan counseling to first-time Stafford borrowers and exit counseling to student FFEL/DL borrowers who have completed their program of study or are withdrawing from school.

- ✓ Drug & alcohol abuse prevention. A school must provide students, faculty, and employees with information about the risks, penalties, and treatment options associated with drug and alcohol abuse.
- ✓ Campus security. A school must publish an Annual Security Report and distribute the report to its students and employees by October 1st of each year.
- ✓ Misrepresentation. A school that substantially misrepresents the nature of its educational program, its financial charges, or the employability of its graduates may be fined or have its FSA participation limited, suspended, or terminated.

### ***Recordkeeping & privacy***

- ✓ A school must keep comprehensive, accurate program and fiscal records documenting its eligibility to participate and financial responsibility, student eligibility for FSA awards, and providing a clear audit trail for all disbursements and repayments of FSA funds.
- ✓ Generally, records must be kept for at least 3 years after the end of the award year. (In the case of FFEL/DL, three years after the end of the award year the student last attended.)
- ✓ Access to records and personnel. A school must provide timely access to authorized officials.
- ✓ Privacy. Personally identifiable information may not be disclosed to other parties without the prior written consent of the student, except for specific cases defined in the Department's FERPA regulations.
- ✓ Disciplinary proceedings. Schools are required to disclose, upon request, the results of disciplinary hearings to the victims of crimes of violence or sex offenses.
- ✓ Information security requirements. A school must have a comprehensive security program to safeguard the information of students and parents.

### ***Default rates & financial standards***

- ✓ 90/10 rule. A proprietary institution may derive no more than 90% of its revenues from the FSA programs.
- ✓ Cohort default rates. A school may lose its eligibility in the FSA programs if its cohort default rate for Stafford loans is 25% or higher for one or more of the three most recent fiscal years or if the most recent cohort default rate is greater than 40%. A school may lose its eligibility in the Perkins Loan program if its Perkins cohort default rate exceeds 15%.
- ✓ Composite score. A proprietary or private non-profit school must have a composite score of at least 1.0, based on an ED formula that takes into account the school's primary reserve, equity, and net income ratios.
- ✓ Refund reserve standard. A school must have sufficient cash reserves to return FSA funds when a student withdraws.
- ✓ A school must be current in debt payments