School Eligibility and Operations

INTRODUCTION	2-1
Changes for 2015–2016	
CHAPTER 1—INSTITUTIONAL ELIGIBILITY	2-5
Type and Control	
The three types of eligible institutions, Institutional control	
Basic Criteria for Eligible Institutions	2-7
Legal Authorization by a State	
Authorization to operate postsecondary educational programs,	
State complaint process	
Accreditation	2-9
Alternatives to regular accreditation, Primary accreditor, Dual accreditation	
Admissions Standards	2-10
High school diploma, Recognized equivalent of a high school diploma,	
Homeschooled students and compulsory school attendance, Preparatory programs	
for students without a high school diploma or equivalent	
"Two-Year" Rule for New Proprietary or Vocational Schools	
Factors Leading to Loss of Eligibility	2-12
Limitations; Bankruptcy or crimes involving FSA programs	
Criteria to Participate in TEACH Grant Program	
Applying as an Eligible Nonparticipating School	
Withdrawal Rates	
The Program Participation Agreement	2-14
Purpose and scope of the PPA, Beginning to disburse funds when first signing the PPA,	
Expiration or termination of the agreement	
CHAPTER 2—PROGRAM ELIGIBILITY,	
WRITTEN ARRANGEMENTS, & DISTANCE EDUCATION	2-17
Determining Program Eligibility	
Basic Types of Eligible Programs	2-18
Eligible programs at an institution of higher education,	
Eligible programs at a proprietary or postsecondary vocational institution	
Programs Leading to Gainful Employment	2-20
Programs offered by for-profit institutions, Programs offered by public and private	
non-profit institutions, State requirements and program length, Transitional certification	
requirements for GE programs	
Additional Eligibility Requirements	2-22
Programs for students with intellectual disabilities, Educational programs eligible for	
TEACH Grants, ESL programs, Competency-based education programs, Types of	
CBE programs, Apprenticeships, Study-abroad programs, Flight school programs	

Written Arrangements Between Schools	2-27
Consortium agreement, Contractual agreement, Study-abroad programs,	
Types of study-abroad programs	
Distance Education & Correspondence Study	2-30
Distance education; Correspondence courses	
Clock-Hour/Credit-Hour Conversions in Determining Program Eligibility	2-31
When a school must use clock hours for FSA purposes, Definition of a clock hour,	
Definition of a credit hour, Clock-credit hour conversions in determining	
program eligibility, Credits approved by state and accrediting agencies,	
Out-of-class student work, Conversion case study	
out of class staucht world conversion case stauy	
CHAPTER 3—FSA ADMINISTRATIVE &	
	2.27
RELATED REQUIREMENTS	2-3/
Administrative Requirements for the Financial Aid Office	2-3/
Consistency of information and conflicting information, OIG referrals,	
Coordinating official, Counseling, Adequate staffing, System of checks and balances	2 41
Ownership, Employees, and Contractors	2-41
Debarment of school owners or staff, Certifying current or prospective	
employees or contractors, Lower-tier covered transactions,	
Crimes involving FSA program funds, Code of conduct,	
Compensation for serving on an advisory board	
Contracts with Third-Party Servicers	2-44
Excluded functions, Excluded entities,	
Requirements of a third-party servicer contract	
Incentive Compensation Prohibition	
Required Electronic Processes	2-50
Information for Financial Aid Professionals (IFAP), Minimum system requirements	
Sharing Information with NSLDS, Federal Loan Servicers, and Guarantors	2-51
Reporting student enrollment data to NSLDS, Updating borrower information	
at separation, Sharing information about delinquent/defaulted borrowers,	
Financial aid history and transfer monitoring	
Satisfactory Academic Progress (SAP)	2-54
Basic elements of an SAP policy	
Provisions for U.S. Armed Forces Members & Families	2-55
In-state tuition rates for active duty service members and family attending	
public institutions, Readmission of service members,	
Executive Order 13607: Principles of Excellence	
CHAPTER 4—AUDITS, STANDARDS, LIMITATIONS,	
& COHORT DEFAULT RATES	2-59
FSA Audit Requirements for Schools	
Timing of Audit Submissions	
Simultaneous FSA audit submissions, Submission dates for FSA audits,	
Waivers of requirement for an annual FSA audit	

Standards & Guidelines for FSA Audits	2-63
Audited financial statement requirement, FSA compliance audits,	
Single Audit Act (A-133 audit) guidelines, Exemptions, FSA consolidated statements	
90/10 Revenue Test	2-65
Audit & Audit Review Process	2-65
Having the audit performed, Review of FSA audit submissions, Access to records	
Audits for Third-party Servicers	2-68
Demonstrating Financial Responsibility	
Financial responsibility for public schools,	
Financial responsibility for proprietary or private nonprofit schools	
Standards for Financial Responsibility	2-71
Composite score, Refund reserve standards, Returning funds in a timely manner,	
Compliance thresholds for timely return of funds, Letter of credit required when	
funds are not returned in a timely manner, Exceptions to the letter of credit requirement,	
Current in debt payments	
Alternatives to the General Financial Standards	2-76
Letter of credit alternative for new school, Letter of credit alternative for participating school,	
Zone alternative, Provisional certification for school not meeting standards,	
Provisional certification for school where persons or entities owe liabilities	
Past Performance and Affiliation Standards	2-78
Past performance of a school, Past performance of persons affiliated with a school	70
Limitations	2-79
Limitation on students admitted without a high school diploma or equivalent,	, ,
Incarcerated student limitation and waiver, Correspondence course and	
correspondence student limitation	
Cohort Default Rates	2-81
Change to three-year time frame for cohort default rates, Time frames for cohort	2 01
default rates, Default prevention and management plan, Effect of cohort default rates,	
Default prevention and management plan for new schools	
Debt-to-earnings (D/E) Rates for GE Programs	84
Calculation of D/E rates, Exclusions, Draft rates and challenges, Outcomes, Transitional	
period calculation, Appealing final rates, Consequences of failing and zone rates	
period calculation, Appealing infarraces, consequences or failing and zone rates	
CHAPTER 5—UPDATING APPLICATION INFORMATION	.2-91
Recertification	
Change in Ownership	2-92
Changes at public institutions; Change in ownership that results in a change of control,	
structure, or governance; Change in ownership for closely-held corporations;	
Change in ownership for publicly traded corporations; Change in ownership	
for corporations that are not closely held or registered with the SEC	
Changes in Ownership Interest and 25% Threshold	2-94
Steps to be Taken During A Change in Ownership	2-95
Steps to be taken by former owners, Steps to be taken by prospective owners,	
Accepting liabilities and responsibility for return of funds, Payments to eligible students	
Temporary Approval for Continued Participation	2-97

Reporting Substantive Changes	2-98
Approval required from accreditor and state agency,	
Notification of school closure or bankruptcy	
Changes to Location, Branch, or Campus	2-99
Eligibility of additional locations, Reporting a new location, Applying for approval	
of a new location, Changing the status of a campus or branch	
Changes to Educational Programs	.2-103
Adding a program—when a school may make eligibility determinations,	
ED must approve all other added programs, Updating a program	
Changes in Accreditation	2-104
Loss of accreditation, Change in institution-wide accreditation,	.2 101
Changing to accreditation by more than one institution-wide accrediting agency	
Changes to 3rd-Party Servicers	2-107
Changes to Sta Farty Scrvicers	.2 107
CHAPTER 6—CONSUMER INFORMATION & SCHOOL REPORTS	2-109
Availability of Information	
Notice to enrolled students, Web dissemination,	.2 105
Availability of employees for information dissemination purposes	
General Student Disclosures	2_110
Financial assistance available to students; Information about the school's academic	.2-110
programs, costs, facilities, and policies	
Completion, Graduation, Transfer, Retention, and Placement Rates	2 11/
	.2-114
Retention, placement, & post-graduate study	2 115
Disclosures and Gainful Employment Programs	.2-115
Disseminating information about gainful employment programs, Median loan debt,	
Placement rates	2 116
Campus Crime and Safety Information	.2-116
Crime log, Fire safety, Annual submission of campus security and fire safety statistics,	
Distributing security and fire safety reports to enrolled students and current employees,	
Disseminating reports to prospective students and employees, Missing persons procedures,	
Emergency response and evacuation, Timely warning and emergency notification	
Drug and Alcohol Abuse Prevention	.2-122
Information to be included in drug prevention materials for students and employees,	
Distribution of materials to all students and employees, Drug and alcohol abuse	
prevention program, Drug-Free Workplace requirements for Campus-Based schools	
Information about Athletics	.2-124
The EADA Report, Completion and graduation rates for student athletes	
Textbook Information	
Loan Counseling	.2-126
Entrance counseling, Exit counseling, Providing borrower information at separation,	
Counseling methods, TEACH exit counseling, Counseling for correspondence and	
study-abroad students, Providing additional information	
Private Education Loans	.2-131
Disclosures required for private education loans, Self-certification form for private	
education loans, Schools as private lenders, Preferred lender lists, Preferred lender	
disclosures. Use of institution and lender name	

Misrepresentation	2-135
Reporting Information on Foreign Sources & Gifts	2-136
Who must report, Timing and content of submission, Information to be reported,	
Alternative reporting	
Anti-Lobbying Provisions	2-137
Prohibition on use of FSA funds, Campus-Based disclosure	
Voter Registration	2-138
CHAPTER 7—RECORD KEEPING, ELECTRONIC PROCESSES,	
& PRIVACY	2-139
Required Records	
Records related to school eligibility, Records relating to student eligibility,	
Fiscal records, Loan program records	
Record Retention Periods	2-143
Record Maintenance	
Acceptable formats, Special requirements for SARs and ISIRs	
Examination of Records	2-145
Location, Cooperation with agency representatives	
Privacy of Student Information (FERPA)	2-146
Students' and parents' rights to review educational records, Prior written	
consent to disclose the student's records, Disclosures to school officials,	
Disclosures to government agencies, Disclosures in response to subpoenas	
or court orders, Documenting the disclosure of information	
The E-Sign Act & Information Security	2-150
Obtaining voluntary consent for electronic transactions,	
Safeguarding confidential information in electronic processes,	
Establishing and maintaining an information security program	
Preventing Copyright Violations	2-151
3 17 3	
CHAPTED O DEOCDAM DEVIEWS CANCTIONS OF CLOSEOUT	2 155
CHAPTER 8—PROGRAM REVIEWS, SANCTIONS, & CLOSEOUT	
Program Reviews by the Department	2-155
Scope of the review, Location of the review,	
Notification of the review, Entrance and exit/status conference,	
Written report, Final Program Review Determination (FPRD)	2 160
Corrective Actions and Sanctions	2-160
Sanctions, Criminal penalties	2 162
Closeout Procedures (When FSA Participation Ends)	2-162
Involuntary withdrawal from FSA participation, Closeout procedures when	
participation ends, Unpaid commitments, Teach-out plan, Closure of a branch or location,	
Loss of eligibility or withdrawal from the Direct Loan Program	