

Archived Information

Section 1

Institutional and Program Eligibility

Before a school is eligible to participate in the SFA Programs, the school must meet the definition of an eligible institution. This section will discuss the three types of institutions that are eligible to participate in the SFA Programs and the effect of program eligibility requirements on institutional eligibility. Not every program at an eligible institution is an eligible program, nor must all eligible programs at the school have the same minimum program length or admissions standards. Generally, the requirements for an eligible institution are found in 34 CFR Part 600. Program eligibility requirements are found in 34 CFR Part 668.

A school must apply to the Department and receive approval from the Department of its eligibility to participate in the SFA Programs. A school applying for approval to participate for the first time should refer to Section 9 of this chapter. Section 9 also discusses changes in participation, loss of eligibility, and ownership changes.

THE THREE DEFINITIONS OF ELIGIBLE INSTITUTIONS



The Institutional Eligibility regulations (34 CFR Part 600) define three types of eligible institutions. Under the three definitions, a school is eligible to participate in *all* the SFA Programs, provided the school offers the appropriate type of eligible program. (Refer to the chart on page 3-6.) This section covers the key elements of the three definitions, giving special attention to those requirements that affect the definition of an eligible program.

Although the criteria defined for each of the three types of institutions differ somewhat, these eligible school definitions are not mutually exclusive. That is, a school may meet the definition of more than one type of institution.

School may meet more than one definition

ELIGIBLE SCHOOL DEFINITIONS

Institution of Higher Education

Proprietary Institution of Higher Education

Postsecondary Vocational Institution

ELIGIBLE FOR ALL SFA PROGRAMS

Control: A public or private nonprofit educational institution located in a state.*

Control: A private, for-profit educational institution located in a state.*

Control: A public or private nonprofit educational institution located in a state.*

Legal authorization: Is legally authorized by the state where it offers postsecondary education to provide a postsecondary educational program.

Accreditation: Is accredited by a nationally recognized accrediting agency or has met the alternative requirements.

Admissions: Admits as regular students only persons with a high school diploma or its recognized equivalent, or persons beyond the age of compulsory attendance in the state where the institution is located.

Program offered:

Provides

- (1) an associate, baccalaureate, graduate, or professional degree, or
- (2) at least a two-year program that is acceptable for full credit toward a bachelor's degree, or
- (3) at least a one-year training program that leads to a degree or certificate (or other recognized educational credential) and prepares students for gainful employment in a recognized occupation.

Program offered: Must provide training for gainful employment in a recognized occupation, and must meet the criteria of at least one category below.

- (1) Provides at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. **May** admit students **without** an associate degree or equivalent.
- (2) Provides at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program, or **must** admit only students with an associate degree or equivalent.
- (3) *Short-term Program.* Provides at least a 10-week (instructional time) undergraduate program of 300-599 clock hours. **Must** admit at least some students who do **not** have an associate degree or equivalent, and must meet specific qualitative standards (see page 3-12). **Note: These programs are eligible only for FFEL and Direct Loan participation.**

Two-year Rule: Has been legally authorized to give (and has been giving) postsecondary instruction for at least two consecutive years.

*See the definition of "state" on the facing page.

CONTROL AND LEGAL AUTHORIZATION

The “control” of an institution distinguishes whether the school is public or private, nonprofit or for-profit. Under the institutional definitions, an “institution of higher education” or a “postsecondary vocational institution” can be either public or private, but is always nonprofit. A “proprietary institution of higher education” is always a private, for-profit institution.

A nonprofit institution

- ◇ is owned and operated by one or more nonprofit corporations or associations whose net earnings do not benefit any private shareholder or individual,
- ◇ is legally authorized to operate as a nonprofit organization by each state in which it is physically located, and
- ◇ is determined by the Internal Revenue Service to be eligible for tax-deductible contributions.

With the exception of foreign schools (see page 3-23), an eligible institution under any of the three definitions must be located in a state. The definition of a “state” includes not only the 50 States of the Union, but also American Samoa, Puerto Rico, the District of Columbia, Guam, the Virgin Islands, and the Northern Mariana Islands. For the purposes of the Federal Pell Grant (Pell Grant), Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) programs, a “state” also includes the Federated States of Micronesia, the Marshall Islands, and the Republic of Palau. **Generally, the determining factor is the physical location of the main campus or place of instruction.** For instance, if a school’s main campus is in a state, as defined above, the school can still have an additional location in a foreign country. However, a correspondence school is considered to be located in the state where its administrative office is located.

To qualify under any of the three institutional definitions, a school must be legally authorized by the state in which it offers an educational program to provide the program. The state’s legal authorization may be provided by the licensing board or educational agency. In some cases, the school’s charter is its legal authorization. In other cases, a school is considered to be legally authorized if state law does not require it to have a license or other formal approval.

**Public/
private,
nonprofit/
for-profit**

**Definition of
a “state”**

**School’s
main campus
must be
located “in a
state”**

**Authorization
by a state**

ACCREDITATION

Generally, an institution must be accredited by a nationally recognized accrediting agency to be eligible. The U.S. Department of Education (the Department) has published regulations governing the procedures and criteria for recognizing accrediting agencies. For more information, see the Accreditation regulations (34 CFR Part 602). The Department periodically publishes a list of recognized accrediting bodies in the *Federal Register*, based on criteria given in CFR Part 602. Copies of this list are also available from the

U.S. Department of Education
Accrediting and Eligibility Determination Division
600 Independence Ave. SW Room 3012 (ROB-3)
Washington, DC 20202-5244

The law provides two statutory alternatives to accreditation. First, an institution may be preaccredited by an agency or association that has been approved by the Department to grant such preaccreditation. Secondly, unaccredited postsecondary vocational institutions may be eligible for SFA funds if approved by a state agency that the Department determines to be a reliable authority.

Nationally Recognized Accrediting Agency or Association: An accrediting agency or association which the Secretary of Education has recognized to accredit or pre-accredit a particular category of institution, school, or educational program in accordance with the provisions in 34 CFR Parts 602 and 603.

Preaccredited: A status granted by a nationally recognized accrediting agency or association to a public or private nonprofit institution that is progressing towards accreditation within a reasonable period of time.

Changes in accreditation may affect eligibility

If a school loses its accreditation, it is ineligible to participate in the SFA Programs and must notify the Department within 30 days.¹ However, if a school's accrediting agency loses its recognition from the Department, the school has up to 18 months in which to obtain accreditation from another recognized agency. Other changes in accreditation may also jeopardize institutional participation. If a school changes accrediting agencies, it may be subject to termination unless the school submits to the Department all materials relating to the prior accreditation, including materials demonstrating reasonable cause for changing accrediting agencies. If a school is accredited by two agencies at the same time, the school must designate which agency's accreditation will be used in determining institutional eligibility for SFA funds and must inform the Department of

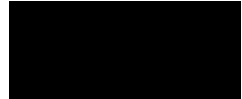
Dual accreditation

¹An accredited or preaccredited school must agree to submit, for any dispute involving the termination of accreditation, to binding arbitration before initiating any other legal action.

the designation. Further, the school must provide to the Department (and to both agencies involved) all materials documenting sufficient reason and cause for dual accreditation. See Section 9 of this chapter for more on changes in accreditation and loss of eligibility.

ADMISSIONS STANDARDS

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.



Regular student : A person who is enrolled (or is accepted for enrollment) in an eligible program for the purpose of obtaining a degree, certificate, or other recognized credential.

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 to be eligible for aid from the SFA Programs. (For more information on this student eligibility requirement, see Chapter 2 under “Ability to Benefit.”)

For SFA purposes, the school is not required to keep a copy of a student’s high school diploma or GED. Rather, the school may rely on the student’s certification that he or she has received the credential and a copy of the certification must be kept on file. (This certification need not be a separate document. It may be collected on the school’s admissions application.) The school may also require the student to provide supporting documentation.

Generally, a **recognized equivalent of a high school diploma** is either a GED or a state certificate (received after the student has passed a state authorized test) that the state recognizes as being equivalent to a high school diploma. However, the Department recognizes that there are special cases. If a student has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor’s degree, the student’s academic transcript is considered equivalent to a high school diploma. A student without a high school diploma who is seeking enrollment in a program of at least the associate-degree level, and who has excelled academically in high school and met formalized written admissions policies of the school, is also considered to have the equivalent of a high school diploma. These students may be eligible to receive SFA funds without having to meet the ability-to-benefit requirements, provided the students are no longer enrolled in high school.

Admissions standards

Student may certify that high school diploma/GED was granted

Alternatives for special cases

A school that admits students who do not have a high school diploma or recognized equivalent has some additional considerations. A school does *not* qualify as an eligible institution if, for its latest complete award year, 50% or more of its regular enrolled students had neither a high school diploma or equivalent, unless the school provides a four-year bachelor's degree program or two-year associate degree program.

Waiver

A nonprofit institution may apply for a waiver of this requirement. The institution must demonstrate to the Department's satisfaction that it met or exceeded the 50% threshold because the school serves, through contracts with federal, state or local government agencies, significant numbers of students who do not have a high school diploma or its recognized equivalent. A school will not be granted this waiver if more than 40% of the school's enrolled regular students do not have a high school diploma or equivalent and are not served through contracts with federal, state, or local government agencies. The purpose of the contracts must be to provide job training to low-income individuals who are in need of the training.

School must make GED program available

Also, a school that participates in the SFA Programs and admits students without a high school diploma or its equivalent must make a GED preparatory program available to its students. (For more information see the discussion of the Program Participation Agreement in Section 2.)

"TWO-YEAR" RULE

To be eligible as a proprietary institution or a postsecondary vocational institution, a school must have provided continuous postsecondary instruction (and been legally authorized to do so) for at least two consecutive years. The educational program(s) offered must remain substantially the same in length and subject matter, except for changes made because of new technology or other federal agencies' requirements. An additional location must also satisfy the two-year rule by operating independently for two years before it may be evaluated to be considered a free-standing institution. Time as an additional location of an eligible proprietary institution or postsecondary vocational institution does not count toward the two-year rule, but time as an eligible institution of higher education or its additional location does.

A branch campus² seeking status as a main campus or free-standing institution is subject to the two-year rule, but its time as a branch campus counts toward the two years.

²A branch campus is a location of a school that is geographically apart and independent of the main campus of the school. A location is independent of the main campus if the location: (1) is permanent in nature; (2) offers courses in educational programs leading to a degree, certificate, or other recognized educational credential; (3) has its own faculty and administrative or supervisory organization; and (4) has its own budgetary and hiring authority.

PROGRAM ELIGIBILITY REQUIREMENTS

To qualify as an eligible institution, a school must offer at least one eligible program. As stated previously, not all programs at an eligible institution will necessarily be eligible, but at least one of the programs at the school must meet the eligible program requirements.

Generally, a student must be enrolled in an eligible program to receive SFA funds. Because a school's eligibility does not necessarily extend to all its programs, the school must ensure that a program is eligible *before* awarding SFA funds to students in that program. The school is ultimately responsible for determining that a program is eligible. In addition to determining that the program meets the eligible program definition, the school should make certain that the program is included under the notice of accreditation from a nationally recognized accrediting agency (unless the agency does not require that particular programs be accredited). The school should also make certain that it is authorized by the appropriate state agency to offer the program (if the state licenses individual programs at postsecondary institutions).

A school's eligibility extends to all eligible programs and locations that were identified on the school's application for participation, unless the Department determines that certain school programs or locations did not meet the eligibility requirements. In general, the school's eligible non-degree programs and locations are specifically named on the approval notice. Additional locations and programs may be added later (see Section 9).

It is not uncommon for a school to offer programs that meet different eligible program definitions. For example, a school that offers a bachelor's degree program (qualifying the school as an institution of higher education) may also offer a nondegree training program that is eligible under a definition that qualifies the school as a postsecondary vocational institution.

A school qualifies as an institution of higher education if (in addition to meeting all other eligibility requirements, including being a nonprofit school) it offers a program that leads to an associate, bachelor's, professional, or graduate degree. For such programs, there are no minimum program length requirements.

A school may also qualify as an institution of higher education if it offers a program of at least two academic years in duration that is acceptable for full credit toward a bachelor's degree, or if it offers a program of at least

Determination of program eligibility

Programs that meet more than one definition

Institution of higher education

one academic year in duration that leads to a certificate, degree, or other recognized credential and prepares students for gainful employment in a recognized occupation.³

Proprietary or postsecondary vocational schools

There are three types of eligible programs that will qualify an otherwise eligible school as a proprietary institution or a postsecondary vocational institution. All of these programs are required to have a specified number of weeks of instruction, and must provide training that prepares a student for gainful employment in a recognized occupation.

Undergraduate programs

The **first type** of eligible program is one that must provide at least 600 clock hours, 16 semester or trimester hours, or 24 quarter hours of undergraduate instruction offered during a minimum of 15 weeks of instruction. The program *may* admit as regular students persons who have not completed the equivalent of an associate degree.

Shorter programs

The **second type** of eligible program is one that must provide at least 300 clock hours, 8 semester hours, or 12 quarter hours of instruction offered during a minimum of 10 weeks of instruction. The program must be a graduate or professional program *or* must admit as regular students *only* persons who have completed the equivalent of an associate degree.

“Short-term” programs

The **third type** of program is known as the “short-term program.” A **short-term program qualifies for the FFEL and Direct Loan programs only.** A short-term program must provide at least 300 but less than 600 clock hours of instruction offered during a minimum of 10 weeks of instruction. The program must admit as regular students *some* persons who have not completed the equivalent of an associate degree. These programs must also satisfy the qualitative factors for completion rates, placement rates, program length, and period of existence of the program. Specifically, these programs must

Qualitative factors for short-term programs

- ◇ have verified completion and placement rates of at least 70%,
- ◇ not be more than 50% longer than the minimum training period required by the state (or federal agency), if any, for the occupation for which the program of instruction is intended, and
- ◇ have been in existence for at least one year.

For the purpose of demonstrating compliance with these qualitative factors, a school must calculate the completion and placement rates *for the award year*, as explained later. The CPA who prepares the school’s

³A “recognized occupation” is one that is listed in the “occupational division” of the *Dictionary of Occupational Titles* (published by the U.S. Department of Labor) or one that is considered by the Department, in consultation with the Department of Labor, to be a recognized occupation.

compliance audit report must attest to the accuracy of the school's calculation of completion and placement rates.

COMPLETION RATE CALCULATION

Number of regular students who received credential for successfully completing the program within 150 % of the length of the program

Number of regular students enrolled for the year
- number of regular students who withdrew with a 100% refund*
- number of regular students enrolled at the end of the year

*less any permitted administrative fee

PLACEMENT RATE CALCULATION

Number of students who obtained employment* within 180 days of receiving credential, and who are employed (or have been employed) for at least 13 weeks following receipt of credential

Number of students who received credential for successfully completing the program

*in the recognized occupation for which they were trained or in a related comparable occupation

The school must document the employment of any student it includes as "employed" in the placement rate calculation. Examples of such documentation would include, but are not limited to, a written statement from the employer, signed copies of state or federal income tax forms, or written evidence of payments of Social Security taxes.

School must document employment

The school must reasonably determine whether a related occupation is comparable. For instance, for a student who was trained as an auto mechanic, it is reasonable to determine that a job as a boat mechanic is comparable. However, for a person trained in retail sales management, a counter-service job at a fast-food restaurant is not comparable.

Definition of comparable occupation

Note that there are two cases (certain types of preparatory coursework and teacher-certification programs) where students may receive FFEL or Direct Loan funds for enrollment in a program that does not meet the eligible program definition. (For more information, see Chapter 2.)

Exceptions to eligible program definition

WEEKS OF INSTRUCTION AND THE 12-HOUR RULE

The three types of eligible programs discussed above, which qualify an otherwise eligible school as a proprietary institution or as a postsecondary vocational institution, are required to have a specified number of weeks of instruction. Definitions for a "week of instruction" and for a "week of instructional time" for the academic year definition are similar. (See the discussion of academic year in Section 2.)

Week of instruction

For all programs except those measured in credit hours without standard terms (semesters, trimesters, or quarters), a “week of instruction” is any seven-day period in which at least one day of regularly scheduled instruction, examination, or preparation for examinations occurs.

Instruction does not include periods of orientation, counseling, vacation, or other activity not related to class preparation or examination.

For educational programs measured in credit hours without standard terms, a week of instruction must include at least **12 hours** of instruction, examinations, or preparation for examination within a consecutive seven-day period.

Minimum number of weeks, minimum number of hours

The 12-hour rule in effect requires a school to demonstrate that certain programs have not only a minimum number of weeks, but also a minimum number of hours. For example, in order for a program to meet the eligible program definition that requires at least 600 clock hours, 16 semester or trimester hours, or 24 quarter hours of instruction, examinations, or preparation for examinations offered during a minimum of 15 weeks of instruction, the program must meet for a minimum of 15 calendar weeks over which a **minimum of 180 hours of instruction**, examinations, or preparation for examinations occur (12 hours of instruction, examinations, or preparation for examinations for 15 calendar weeks).

A school that wants to set its program to be only 15 calendar weeks long would therefore have to meet an average of 12 hours per week for the 15 calendar week period in order for the program to be eligible. A school with a program that meets less frequently than 12 hours a week would have to meet for enough weeks to provide 180 hours of instruction, examinations, or preparation for examinations. For example, a program meeting 6 hours per week would have to be 30 calendar weeks long in order to be eligible under this provision.

Holidays

Because the 12-hour rule does not require a school to offer instruction, examinations, or preparation for examinations on specific days, an institution may not include a holiday for these calculations unless regularly scheduled instruction, examinations, or preparation for examinations occurs on that day.

ADDITIONAL ELIGIBLE PROGRAM REQUIREMENTS

Several SFA Programs have additional requirements that an educational program must meet to be eligible. For example, only *undergraduate educational programs* are eligible under the Pell Grant and FSEOG programs. Further, *correspondence programs* are not eligible unless they

meet the general requirements for an eligible program and are required for the student's regular program of study leading to a degree. As discussed later in this section, certain telecommunications courses may be considered correspondence courses and therefore may be subject to the same requirements.

A program that consists solely of English as a Second Language (ESL) instruction is eligible *only* for Pell Grant participation. It must meet the general requirements for an eligible program (for example, it must lead to a degree or other credential) and may admit only students who need instruction in English to be able to use the knowledge, training, or skills they already have. The school must document its determination that the ESL instruction is necessary for each student enrolled. A school may request an eligibility determination from the Department for an ESL Program.

**ESL
programs**

A student also may receive SFA funds for ESL coursework that is part of a larger eligible program. In this case, the ESL coursework is treated as remedial coursework. For more information, see Chapter 2.

Study abroad courses are eligible for SFA funds, regardless of whether they are *required* for the student's program of study, as long as they are *accepted for credit* in the student's program (provided that the requirements meet the consortium and contractual requirements discussed in Section 5). The law also requires schools to notify study-abroad students of the availability of such assistance and to certify on the new Program Participation Agreement that they will not deny SFA funds to such students.

**Study
abroad
programs**

Under the FFEL Programs, a *flight school program* must maintain current valid certification by the Federal Aviation Administration to be eligible.

Flight school

CLOCK HOUR/CREDIT HOUR CONVERSIONS

The clock hour/credit hour requirements affect both program eligibility, and the determination of the amount of SFA Program funds a student who is enrolled in the program may receive.

Schools must determine whether an undergraduate program measured in credit hours qualifies as an eligible program in credit hours after using the required conversion formula unless

- ◇ the program is at least two academic years in length and provides an associate, bachelor's, or professional degree (or a degree that the Department has determined to be equivalent to one of these degrees), or

Exceptions

- ◇ each course within the program is acceptable for full credit toward one of these degrees at the school, and the degree requires at least two academic years of study.

Note that the exemption for programs that lead to a degree that is *equivalent* to an associate, bachelor’s, or professional degree program of at least two years does not permit a school to ask for a determination that a *nondegree* program is equivalent to a degree program.

Also, public or private nonprofit hospital-based diploma schools of nursing are exempt from using the clock-to-credit hour conversion formula to calculate awards for the SFA Programs.

To determine the number of credit hours in a program for SFA purposes, schools must use the appropriate formula.

For a semester or trimester hour program

Formulas

$$\frac{\text{Number of clock hours in the credit-hour program}}{30}$$

For a quarter hour program

$$\frac{\text{Number of clock hours in the credit-hour program}}{20}$$

The school must use the resulting number of credit hours to determine if a program is eligible under the eligible program requirements explained on pages 3-11 to 3-13. For a program to qualify as eligible by providing at least 16 semester or trimester credit hours or 24 quarter credit hours, the program must include at least **480 clock hours of instruction**. For a program to qualify as eligible by providing at least 8 semester or trimester credit hours or 12 quarter credit hours, the program must include at least **240 clock hours of instruction**.

CLARIFICATION

Because the results of these formulas determine the eligibility of a program, the resulting number of credit hours may not be rounded upward.

Program eligibility

If a school applies the appropriate formula and finds that a program is eligible, the converted credit hours are used to determine the amount of SFA funds that a student who is enrolled in the program is eligible to receive under the Pell Grant, FFEL, and Direct Loan programs. If, after applying the formula, the number of credit hours in the program has decreased, a student’s enrollment status could change resulting in a decrease in SFA eligibility under these programs.

Example

Sternberg University (SU) states that a two-year nondegree program measured in semester credit hours is 16 credit hours per semester. Courses within the program are not creditable toward a degree at SU. SU determines that there are 330 clock hours in the first and second semesters, and 390 in the third and fourth semesters. By applying the conversion formula, the school determines that the number of credit hours for SFA purposes is 11 for the first two semesters, and 13 for the last two semesters.

$$\frac{330 \text{ clock hours}}{30} = 11 \text{ credit hours for SFA purposes}$$

$$\frac{390 \text{ clock hours}}{30} = 13 \text{ credit hours for SFA purposes}$$

Total clock hours in the program is 1440. Because the program is longer than 15 weeks and contains more than 480 clock hours of instruction, the program remains an eligible program, provided it is otherwise eligible (see page 3-11). However, for the first two semesters of the program, students are eligible for payment for only 11 credit hours of instruction. Because this is less than the full-time student minimum of 12 credit hours, students who attend the first two semesters are eligible to be paid for only three-quarter time attendance.

A student's period of attendance is measured according to several commonly accepted academic standards. A clock hour is based on an actual hour of attendance, though each hour may include a 10-minute break. Credit hours are typically based on two hours of homework for each hour of class attendance.

A school is not permitted to count more than one clock hour per 60-minute period; in other words, a school may not schedule several hours of instruction without breaks, and then count clock hours in 50-minute increments. The result would be that seven hours of consecutive instruction would count as 8.4 clock hours ($420 \text{ minutes} \div 50 \text{ minutes} = 8.4 \text{ hours}$). Seven real-time attendance hours *may not* count for more than seven clock hours.

**Units of
measurement—
clock hours
vs. credit
hours**

OTHER ELIGIBILITY FACTORS

A school is not an eligible institution if the school violates the 85/15 Rule (applicable to proprietary schools only), the Correspondence Course Limitation, the Correspondence Student Limitation, the Incarcerated Student Limitation, or the Ability-To-Benefit Student Limitation.

School calculations must be attested to by CPA

All of these requirements involve certain percentage calculations, which are performed by the school either to demonstrate compliance with a requirement or to demonstrate eligibility for a limitation waiver. In the case of the Correspondence Course Limitation, the Correspondence Student Limitation, the Incarcerated Student Limitation, and the Ability-To-Benefit Student Limitation, a calculation performed by the school must be attested to by the certified public accountant (CPA) who prepares the school's audited financial statement or its SFA compliance audit. The CPA's report must be part of the audit record and must include a recalculation if a school's initial calculation was in error. The CPA's attestation report must indicate whether the school's determinations (including any relevant waiver or exception) are accurate. Requirements for demonstrating compliance with the 85/15 Rule are discussed below.

School required to notify the Department

For each of the requirements and limitations discussed below, the school must notify the Department of the school's failure to meet a requirement, its falling within a prohibited limitation, or its ineligibility for a continued waiver. Except for the specific notification requirements under the 85/15 Rule, the school's notification must occur by July 31 following the end of an award year. If a school fails to meet any of these requirements, the school loses its eligibility to participate in any SFA Program on the last day of the most recent award year. The school must immediately stop awarding SFA Program funds and must comply with the requirements in 34 CFR 668.26 for a school that has lost its SFA participation (for more information on requirements when a school's SFA participation ends, see Section 9).

Requirements to regain eligibility

To regain institutional eligibility lost due to the requirements or limitations listed below, the school must demonstrate its compliance with all eligibility requirements and its ability to stay outside prohibited limits for at least one award year. Further, it must also show how its administrative practices and policies have been changed to ensure that it will not fall within prohibited limits in the future.

The 85/15 rule

To be eligible for SFA participation, a proprietary institution may derive no more than 85% of its revenues from the SFA Programs. As specified in 34 CFR 600.5(d), a school must determine its revenue percentages using the following formula:

SFA Program funds (except SSIG or FWS) used for tuition, fees, and other institutional charges to students
<hr style="width: 80%; margin: auto;"/> The sum of revenues generated by the school from: (1) tuition, fees, and other institutional charges for students enrolled in eligible programs; plus (2) school activities* necessary for the education or training of students enrolled in those eligible programs
*to the extent not included in tuition, fees, and other institutional charges

***Fraction for
85/15 Rule
calculation***

In determining whether a school satisfies the 85/15 Rule, the totals used in the fraction do *not* include refunds paid to or on behalf of students who have withdrawn, dropped out, been expelled, or otherwise failed to complete the period of enrollment. Charges for books, supplies, and equipment are not included in the fraction unless the amount is part of the tuition, fees, or other institutional charges.

***Refunds not
counted in
fraction***

In figuring what SFA funds were used to pay tuition, fees, and other institutional charges, a school may assume that any SFA funds disbursed (or delivered) to or on behalf of a student were used for such costs, unless those costs were otherwise paid by

- ◇ grant funds provided by non-federal public agencies,
- ◇ grant funds provided by independent private sources, or
- ◇ funds from qualified government agency job training contracts.

In figuring revenues generated by school activities, a school may include only revenue from activities that are conducted on campus or at a facility under the control of the school, that are performed under the supervision of a faculty member, and that are necessary for the training of its students who are enrolled in an eligible program. The school's "85/15 Rule" calculation must be attested to by a CPA, as discussed previously.

***Revenues
from school
activities***

The 85/15 Rule was published in final regulations on April 29, 1994. However, Public Law 103-333 precluded the Department from implementing the 85 Percent Rule regulations until July 1, 1995. As of July 1, 1995, the 85 Percent Rule applies to all institutional eligibility determinations for proprietary institutions.

A proprietary institution must determine whether it satisfied the 85/15 Rule during its most recently completed fiscal year. For example, for schools using a calendar year as their fiscal year, their most recently completed fiscal year is the one that ended on December 31, 1996. For those schools using the award year as their fiscal year, their most recently completed fiscal year will be the one that ends on June 30, 1997.

***Most recently
completed
fiscal year***

Failure to meet the 85/15 Rule



Notification to the Department

Schools that fail to satisfy the 85/15 Rule lose their eligibility on the last day of that fiscal year. As mentioned earlier, the school must immediately stop awarding SFA Program funds and comply with the provisions of 34 CFR 668.26. Schools have 90 days after their most recently completed fiscal year has ended to report to the Secretary if they did not satisfy the 85/15 Rule for that period.

Previously, schools that determined that they satisfied the 85/15 Rule during their most recently completed fiscal year had to have the CPA who prepared their audited financial statement report on the accuracy of that determination based upon performing an attestation engagement. Final regulations published November 29, 1996 changed this requirement. Instead, a proprietary school is required to disclose the percentage of its revenues derived from the SFA Programs (that the school received during the fiscal year covered by the audit) as a footnote to its audited financial statement (see Section 6).

A school must notify the Department of its failure to satisfy the 85/15 Rule at one of the following addresses:

By regular mail

U.S. Department of Education
Institutional Participation and Oversight Service
P.O. Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

By overnight mail or courier delivery

U.S. Department of Education
Institutional Participation and Oversight Service
7th and D Streets, SW
GSA Building, Room 3522
Washington, DC 20407

By Internet

IPOS@ed.gov

Correspondence Course Limitation

An otherwise eligible institution is *not* eligible for SFA Program participation if, during the school's latest complete award year, more than 50% of its *courses* are taught through correspondence.⁴

⁴A telecommunications course is considered to be a correspondence course if the sum of telecommunications courses and other correspondence courses provided by the school during its latest complete award year was equal to or more than 50% of the total courses provided that year.

Correspondence Course: A home study course provided to students who are not physically attending classes at the school; a course that is part residential and part correspondence. (Includes video courses unless students physically in attendance at the school receive the same video instruction in the same award year.)

Telecommunications Course: A course offered principally through television, audio, or computer transmission, including open broadcast, closed circuit, cable, microwave, satellite, or audio or computer conferences. (Includes video courses if students physically attending the school also receive the video course in the same award year.)

This requirement does not apply to an institution that mainly provides vocational adult education or job training (as defined under the Carl D. Perkins Vocational and Applied Technology Education Act).

In calculating the percentage of “correspondence courses,” a correspondence course can be either a complete educational program offered by correspondence or a single course offered by correspondence that is part of a larger, on-campus (residential) program. Regardless of how many times a course or program is offered during the award year, it is counted only once. (A course offered both through correspondence and on campus is counted as two courses when determining the total number of courses offered by the school.) The school’s Correspondence Course calculation must be attested to by a CPA, as discussed previously.

Correspondence Student Limitation

An otherwise eligible institution is also *not* eligible for SFA Program participation if, for its latest complete award year, 50% or more of its regular *students* are enrolled in correspondence courses.

“Telecommunications courses” may be considered to be correspondence courses (see the definitions above and the footnote on the previous page). The rules for calculating this percentage are the same as given previously for the calculation of the correspondence course percentage. The calculation should reflect a straight “head count” of students. That is, each regular student must be counted regardless of full-time or part-time attendance and will be counted only once during an award year, regardless of withdrawal and reenrollment. (Students who enrolled, withdrew, and subsequently received a full refund should not be included in the count.) The school’s Correspondence Student calculation must be attested to by a CPA, as discussed previously.

This requirement is waived for a school that offers a two-year associate degree or four-year baccalaureate degree program if the school demonstrates that the students enrolled in correspondence courses receive no more than 5% of the total SFA funds received by all of the school’s students. This requirement also does not apply to an institution that

**Exceptions
for certain
institutions**

Head count

**Exception for
certain
institutions**

mainly provides vocational adult education or job training (as defined under the Carl D. Perkins Vocational and Applied Technology Education Act).

Incarcerated Student Limitation

Waiver possible

An otherwise eligible institution is *not* eligible for SFA Program participation if, for its latest complete award year, 25% or more of its regular students are incarcerated.⁵ If requested by the school, the Department may waive this limitation for a nonprofit school offering a two-year associate degree or a four-year baccalaureate degree program. For the purposes of this waiver, “nonprofit” includes public institutions. (For information on the eligibility of incarcerated students for SFA assistance, see Chapter 2.)

Waiver possible

For a school offering *only* four-year or two-year programs that lead to bachelor’s or associate degrees, respectively, the waiver applies to all programs offered at the school. However, if the school offers other types of programs, the waiver would apply to any of the school’s four-year and two-year programs leading to a bachelor’s or associate degree, respectively, and also to any other programs in which the incarcerated regular students enrolled have a 50% or greater completion rate. (The calculation of this completion rate is specified in Section 600.7(e)(2) of the Institutional Eligibility regulations and must be attested to by a CPA, as discussed previously.) If granted, the waiver is effective as long as the school continues to meet the waiver requirements each award year.

Ability-to-benefit Limitation

An otherwise eligible institution that does *not* offer a two-year associate degree or a four-year baccalaureate degree program is *not* eligible for SFA Program participation if 50% or more of its regular enrolled students are admitted without a high school diploma or its equivalent (here called ability-to-benefit students).

The Department may waive this limitation for a nonprofit school if the school demonstrates, to the Department’s satisfaction, that it exceeds the limitation because it serves significant numbers of ability-to-benefit students through government agency contracts, such as a contract under the Job Training Partnership Act. Such a waiver is only possible if no more than 40% of the school’s regular enrollment consists of ability-to-benefit students who are not served under the above-mentioned contracts. If granted, the waiver extends as long as the school continues to meet the waiver requirements each award year. The school’s “Ability-To-Benefit” calculation must be attested to by a CPA, as discussed previously.

⁵An “incarcerated student” is a student who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm or other similar correctional institution. (Does not include detention in a halfway house, home detention, or weekend-only sentences.)

FOREIGN SCHOOLS ELIGIBLE FOR FFEL PROGRAMS

Subpart E of the Institutional Eligibility regulations establishes the eligibility criteria for foreign schools. In general, by law, a foreign school can participate in the FFEL Programs if the foreign school is comparable to an institution of higher education as defined earlier in this section and have been approved by the Department. Additionally, the regulations added specific requirements for foreign medical schools.

■ A “foreign medical school” is defined as a school that is not located in a state, and is qualified and listed as a medical school in the most current *World Directory of Medical Schools*, published by the World Health Organization (WHO).

To be eligible for FFEL participation, a foreign medical school must meet the same requirements as other foreign schools and must also

- ◇ provide, and require its students to complete, a medical program of clinical and classroom instruction not less than 32 months long that is supervised closely by members of the school’s faculty and that is provided either
 - Outside the U. S., in facilities adequately equipped and staffed to afford students comprehensive clinical and classroom medical instruction, or
 - In the U. S., through a training program for foreign medical students that has been approved by all medical licensing boards and evaluating bodies whose views are considered relevant by the Department;
- ◇ have graduated classes during each of the two years preceding the school’s application for eligibility;
- ◇ for the above-mentioned medical program, employ only faculty members whose credentials are equivalent to the credentials of faculty teaching similar courses in U.S. medical schools; and
- ◇ for a public or private nonprofit school, be accredited by a recognized agency, *or* for all other schools, by an authorized agency whose standards have been determined by a panel approved by the Department to be comparable to U.S. standards of accreditation for medical schools.

**Requirements
for foreign
medical
schools**

In addition, the law specifies the following requirements for foreign medical schools

- ◇ at least 60% of the full-time regular students enrolled in the previous year and 60% of the most recent graduates must be other than U.S. citizens or nationals, permanent residents, or eligible noncitizens of the United States, and
- ◇ at least 60% of the students and graduates (for the past three years) who took any step of an exam from the Educational Commission for Foreign Medical Graduates (ECFMG)—including the ECFMG English test—in the previous year must have received a passing score.

A school not meeting all the 60 percent requirements can still be eligible if the school’s clinical training program was approved by a state as of January 1, 1992 and is currently approved. Continued eligibility is dependent upon annual submission of the data and information that demonstrates compliance with these 60% requirements (or the exception).

REPORTING INFORMATION ON FOREIGN SOURCES

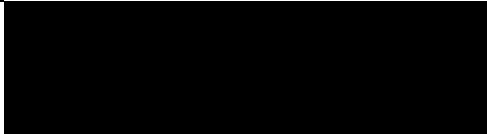
The law requires certain postsecondary schools (whether or not the school is eligible to participate in the SFA Programs) to report ownership or control by foreign sources. The law also requires these postsecondary schools to report contracts with, or gifts from the same foreign source that, alone or combined, have a value of \$250,000 or more for a calendar year. These reports must be filed with the Department by the January 31 or July 31, whichever is sooner, after the date of receipt of the gifts, date of the contract, or date of ownership or control. The January 31 report should cover the period July 1-December 31 of the previous year, and the July 31 report should cover January 1-June 30 of the same year.

Definitions of gift & contract



Gift: Any gift of money or property.

Contract: Any agreement for the acquisition by purchase, lease, or barter of property or services for the direct benefit or use of either of the parties.



Who must report

A school (and each campus of a multicampus school) must report this information if the school

- ◇ is legally authorized to provide a program beyond the secondary level within a state,

- ◇ provides a program for which it awards a bachelor's degree or a more advanced degree, or provides at least a two-year program acceptable for full credit toward a bachelor's degree,
- ◇ is accredited by a nationally recognized accrediting agency, and
- ◇ is extended any federal financial assistance (directly or indirectly through another entity or person), or receives support from the extension of any federal financial assistance to the school's subunits.

Each disclosure report to the Department must contain

- ◇ for gifts received from or contracts entered into with a foreign source other than a foreign government, the aggregate dollar amount of the gifts and contracts attributable to a particular country;⁶
- ◇ in the case of a school that is owned or controlled by a foreign source, the identity of the foreign source, the date on which the foreign source assumed ownership or control, and any changes in program or structure resulting from the change in ownership or control;
- ◇ for gifts received from or contracts entered into with a foreign government, the aggregate amount of the gifts and contracts received from each foreign government;
- ◇ for restricted or conditional gifts received from or restricted or conditional contracts entered into with a foreign source (other than a foreign government), the amount, date of receipt of the gift or date of the contract, and description of the conditions and restrictions;
- ◇ for restricted or conditional gifts received from, or restricted or conditional contracts entered into with a foreign government, the amount, the date of receipt of the gift or date of the contract, a description of the conditions or restrictions, and the name of the foreign government.

**Contents of
disclosure
report**

⁶The country to which a gift or a contract is attributable is the country of citizenship; or, if unknown, the principal residence for a foreign source who is a "natural person" and the country of incorporation, or, if unknown, the principal place of business for a foreign source which is a legal entity.

Restricted or conditional gift or contract

Any endowment, gift, grant, contract, award, present, or property of any kind which includes provisions regarding

- ◇ the employment, assignment, or termination of faculty;
- ◇ the establishment of departments, centers, research or lecture programs, or new faculty positions;
- ◇ the selection or admission of students; or
- ◇ the award of grants, loans, scholarships, fellowships, or other forms of financial aid restricted to students of a specified country, religion, sex, ethnic origin, or political opinion.

In lieu of the reporting requirements listed above:

- ◇ If a school is in a state that has substantially similar laws for public disclosure of gifts from, or contracts with, a foreign source, a copy of the report to the state may be filed with the Department. The school must provide the Department with a statement from the appropriate state official indicating that the school has met the state requirements.
- ◇ If another department, agency, or bureau of the Executive Branch of the federal government has substantially similar requirements for public disclosure of gifts from, or contracts with, a foreign source, the school may submit a copy of this report to the Department.

Where to send reports

Reports should be sent to the Department's Institutional Participation and Oversight Service at one of the addresses on page 3-20. Submissions should be marked "Foreign Gift Report."

If a school fails to comply with the requirements of this law in a timely manner, the Department is authorized to undertake a civil action in federal district court to ensure compliance. Following a knowing or willful failure to comply, a school must reimburse the Treasury of the United States for the full costs of obtaining compliance with the law.

All information provided by schools under this law is open to inspection and duplication by members of the public.