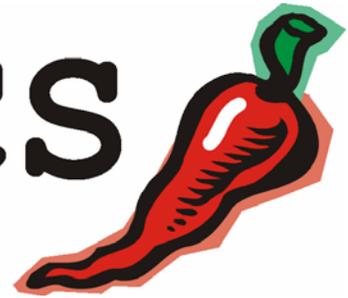


# hot TOPICS



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## R2T4 Training Conducted Using Interwise

Two R2T4 training sessions were held via teleconference on December 8 and 15, 2005. The first session walked through the process of downloading the U.S. Department of Education's (ED) software for R2T4 calculations. Participating institutions were guided through the process of locating the software and downloading the software onto their personal computers. The second training session used completed worksheets provided by Warner Pacific College. Sandra Perez led the demonstration using the software and performing the calculations. Because weather conditions at several institutions prevented many schools from attending a repeat of the second training session will be held. Look for an announcement soon.

## Six New Sections Now Available for NASFAA's 2005–2006 *Self-Evaluation Guide*

Six additional sections of the twenty-first edition of the National Association of Student Financial Aid Administrators (NASFAA) *Self-Evaluation Guide for Institutional Participation in Title IV and Other Federal Programs* for a total of 17 sections have been posted on NASFAA's Web site at <http://www.nasfaa.org/annualpubs/selfevalmenu.asp>.



The new chapters are Cash Management, Federal Pell Grant Program, Federal Supplemental Educational Opportunity Grant Program, Institutional Policies and Procedures, Recommended Good Practices, and Appendix B: Frequently Used Abbreviations. This guide is an excellent tool to prepare you for an audit or just to ensure that you are operating within the regulations. An NASFA member login may be required to view any additional NASFAA articles.

## Institutional Charges



There has been some confusion as to what are considered institutional charges when a student withdraws. Therefore, the following is guidance issued by the ED regarding what institutional charges to include in the payment period or period of enrollment.

Institutional charges used in a return calculation are always the charges that were initially assessed the student for the entire payment period or period of enrollment as applicable. Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (e.g., a change in enrollment status, or dropping/adding a class). If, after a student withdraws, the institution changes the amount of institutional charges it assessed a student, or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation.

The return regulations presume Title IV program funds are used to pay institutional charges ahead of all other sources of aid. **Institutional charges may not be reduced even if other sources of aid are used to pay those charges.** For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition.

The following educational expenses must be considered institutional charges:

- ◆ All charges for tuition, fees, and room and board (if contracted with the school). (**If an institution enters into a contract with a third party to provide institutional housing, the institution has to include the cost of housing as an institutional charge in a Return calculation.**); and
- ◆ Expenses for required course materials, if the student does not have a *real and reasonable opportunity* to purchase the required course materials from any place but the school.

**Exceptions:** *Excludable costs* are costs a school may exclude from the total amount of institutional costs, such as the documented cost of unreturnable equipment and documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.

Application fees are excluded from institutional charges because they are not an educational cost. (*Federal Register*, Vol. 59, No. 82, April 29, 1994, p. 22356). Note if a fee (like a registration or technology fee) is required for all students in a program, then the fee should be considered an institutional charge for all students in the program. A charge does not have to appear on a student's account to be considered an institutional charge.

Noninstitutional charges include

- ◆ Charges for any required course materials that a school can document a student had a *real and reasonable opportunity* to purchase elsewhere;
- ◆ Charges to a student's account for group health insurance fees, if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal; and
- ◆ Charges to a student's account for discretionary educationally related expenses (e.g., parking or library fines, the cost of athletic or concert tickets, etc.).

Additional information on what institutional charges must be used in the R2T4 calculation can be found by referencing 34 CFR 668.22(g)(1)(ii), 34 CFR 668.22(g)(2), DCL-GEN-00-24 *Summary: Return of Title IV Aid—Volume #1*, and the January 7, 1999 policy bulletin from the Policy Development Division *Summary: Calculating Institutional Refunds: What Are Institutional Charges?*



## 2006 IPD Financial Aid Conference and Commission Meeting

The conference in April has been postponed until the fall. Please watch for future announcements.





## Satisfactory Academic Progress

In order for a student to be eligible for financial aid, the student must make satisfactory academic progress (SAP), which must be checked at least once per year. To be considered administratively capable, it is a requirement that your institution establishes and publishes a SAP policy. This policy must be applied equally to all Federal Student Aid (FSA) programs and to all FSA recipients. This policy must be the same as or more strict than the institution's standards for students enrolled in the same educational program who are not receiving FSA. The policy must also include a qualitative and quantitative component.

Within the qualitative component, a school must have a written policy that allows for course repetitions where only the most recent grade is counted; or course repetitions where both credits and grades from previous attempts are deleted; or course repetitions where only the highest grade is counted. (2004–2005 *FSA Handbook*, Vol. 2, p. 185).

The quantitative component must consist of a maximum timeframe for a student to complete his/her educational program. The timeframe for an undergraduate program must be no longer than 150% of the published length of the educational program. Note that a school can exclude grades from prior attempts when calculating a student's GPA. However, credits from all attempts must be included when calculating the maximum timeframe (150%).

There must also be specific policies on defining the effect of incomplete course grades, withdrawals, repeat coursework, and noncredit remedial course on satisfactory progress. The SAP policy must also define the effect of both ESL courses (not part of an ESL program) and remedial courses on both the qualitative and maximum timeframe components.

When a student fails to make SAP, he/she can regain eligibility by meeting the criteria established in the school's satisfactory progress policy, but he/she cannot regain eligibility simply by being out of school for a set amount of time or by paying for a set number of classes. Generally, the quantitative and qualitative standards used to judge academic progress include all periods of the student's enrollment. Even periods in which the student did not receive FSA funds are counted. However, an institution may have a policy that applies to students who change majors. In these cases the institution may choose not to include in the calculation of a student's SAP standing the credits attempted and grades earned that do not count toward the student's new major. This policy must be specified in writing in the institution's policies and procedures. Similarly, for transfer students a school must at least count those transfer credits that apply toward the current program (though the school may count all credits from the previous school).

If, at any point it's clear the student will not be able to meet the quantitative requirement by graduation, the student becomes ineligible for aid.

Finally, the policy must give specific procedures through which a student may appeal a determination that he/she is not making satisfactory progress. If your institution permits appeals due to mitigating circumstances, your institution's written policy must explain those circumstances.

To read more about satisfactory academic progress and its requirements see the *2004–2005 FSA Handbook*, Vol. 1, pp. 6–8 and Vol. 2, pp. 185–190 and 34 CFR 668.16(e), 34 CFR 668.32(f), and 34 CFR 668.34 accessible at <http://www.ifap.ed.gov/IFAPWebApp/currentSFAHandbooksYearPag.jsp?p1=2004-2005&p2=c>

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## New Web site for Ordering FSA Publications

On October 20, 2005, the ED announced the availability of the ED Pubs Online Ordering System. This is a new Web site for ordering FSA publications and can be found at <http://www.fsapubs.org> or <http://www.edpubs.org/>. This system replaces the Bulk Publication Ordering System.



## Reauthorization Update



On December 19, 2005, the House of Representatives passed H.R.4241/S.1932, the Deficit Reduction Act of 2005. This bill will cut \$12.6 billion from student financial aid through a combination of revenue increases and budget reductions, thus making it more difficult for students to pay for college education.

Since S.1932 only included parts of the reauthorization, the House had to pass a bill extending the Higher Education Act of 1965 (HEA). Therefore, the H.R.4525, the Second Higher Education Extension Act of 2005, was passed on December 17, 2005. This extends the HEA through March 31, 2006. Both of these bills need to be passed by the Senate.

For a summary of the provisions in S.1932, click on the below link from the FinAid Website for *The SmartStudent™ Guide to Financial Aid* <http://www.finaid.org/educators/reauthorization20051219s1932.txt>. Access to FinAid is free for all users and there is no charge to link to the site.

## Responses to Recent, Recurring FSA Questions

On October 17, 2005, ED posted DCL GEN-05-16, in response to questions needing further clarification. The following topics are addressed in the letter at <http://www.ifap.ed.gov/dpccletters/GEN0516.html>.

- ◆ The requirement for a signed promissory note in order for loan funds to counted as "aid that could have been disbursed," or to disburse them as a late disbursement;
- ◆ The use of Web sites to provide students with notifications and disclosures;
- ◆ Additional unsubsidized Stafford Loan amounts for otherwise eligible children of parents who are not U.S. citizens or permanent residents;
- ◆ Bankruptcy and eligibility for Parent Loans for Undergraduates (PLUS) and additional unsubsidized loan amounts;
- ◆ FAFSA questions and same-sex marriage;
- ◆ Asset valuation of rental units within a principal place of residence in the need analysis;
- ◆ The definition of a veteran;
- ◆ The treatment of combat pay;
- ◆ The use of stored-value cards and other methods of managing Title IV funds;
- ◆ Debit cards and third party servicers; and
- ◆ The Reserve Educational Assistance Program (REAP or Chapter 1607).



Every institution should review this information closely, as it will be considered along side program regulations in any program review or audit. The DCL does note that for situations where new or changed guidance is set out, program reviews or audits for prior periods will take into consideration whether the institution was following prior guidance that was available or was using other reasonable interpretations of the regulations.

## Clarification on 12-Consecutive Month Rule for Preparatory Coursework

On November 2, 2005 and January 10, 2006, NASFAA published articles concerning Stafford Loan borrowing by students who have not been admitted to an eligible program but are taking preparatory coursework in order to be admitted.

Under section 34 CFR 668.32(a)(1)(ii) of the general provisions, students may be eligible for loans under the Federal Family Education Loan (FFEL) or Direct Loan (DL) programs for courses that are necessary for the student to enroll in a program leading to a degree or certificate. The student must be enrolled at least half time in courses that are part of an eligible program otherwise offered by the institution at which the courses are being taken. The student can take the preparatory coursework at any institution, not just the institution at which he/she is seeking to be admitted. Receipt of aid under this provision is limited to one 12-consecutive-month period. This 12-month period begins on the first day of the loan period for which the student is enrolled.



ED stated that this provision is student specific, not academic program specific. What this means is that the loan eligibility for a student is a one-time deal for 12 consecutive months as long as the student has not been admitted into an eligible program and is taking the preparatory coursework for the purpose of admission. NASFAA stated, "The preparatory coursework loan limit is a once-in-a-lifetime exception for students taking such coursework." Further, the one-time limit applies whether the student applies again under the preparatory coursework provision at your school or at another school. The student is ineligible to borrow more than once regardless of where he or she applies."

When NASFAA asked how to track those students who have borrowed under the preparatory coursework provision, ED indicated the following:

- ◆ If the student borrowed under this provision for another program at the same institution, the institution should know about the prior borrowing and deny additional loan eligibility.
- ◆ For students borrowing for the first time under this provision at your institution, ED indicated the institution must have some sort of mechanism in place to ensure students do not borrow multiple times under this provision.

ED remains flexible in regards to tracking mechanisms. NASFAA listed the following as one possible tracking method, "Ask the affected students, and have them respond in writing (paper or electronic), whether or not they have ever previously received Stafford Loan funds for preparatory coursework either at your school or at another school." Whatever the school's chosen method, it would need to document the student's file prior to approving additional Stafford Loan funds for the student.

To view the entire NASFAA article, click on <http://www.nasfaa.org/Apps/Password/Login.ASP>. WebID and password are required.

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## HEROES Act of 2003 Extended

On October 20, 2005, the ED announced the extension of the expiration date for the waivers and modifications of statutory and regulatory provisions pursuant to the Higher Education Relief Opportunities for Students Act of 2003 (HEROES). While it was set to expire in September 2005, the ED has extended it for 2 more years, through September 2007.



These waivers and modifications assist individuals who are applicants and recipients of student financial assistance under Title IV of the HEA, as amended, and who

- ◆ Are serving on active duty during a war or other military operation or national emergency;
- ◆ Are performing qualifying National Guard duty during a war or other military operation or national emergency;
- ◆ Reside or are employed in an area that is declared a disaster area by any federal, state, or local official in connection with a national emergency; or
- ◆ Suffered direct economic hardship as a direct result of a war or other military operation or national emergency.

For a summary of the waivers and modifications, see the April 2004 Hot Topics Newsletter. To read the entire *Federal Register*, go to <http://www.ifap.ed.gov/fregisters/fr12122003.html>.

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## CAAHE Financial Aid Contacts

The Financial Aid Global Distribution List was disabled by Information Technology (IT) in an effort to tighten IT controls and potential exposure to viruses. We will continue to publish the contact listing and investigate new ways to communicate electronically. In the meantime, if you should have communications that need to be sent to all financial aid contacts within the Consortium for the Advancement of Adult Higher Education (CAAHE<sup>SM</sup>), please forward them to Teresa Corno at [teresa.corno@apollogrp.edu](mailto:teresa.corno@apollogrp.edu) for distribution.



## Administrative Capability

In order for a school to be certified to participate in the FSA programs, the school must demonstrate that it is administratively capable of providing the education it promises and of properly managing the FSA programs. The following are some of the most common audit findings:

- ◆ Lack of written policies and procedures;
- ◆ Failure to communicate information on external and institutional sources of financial aid; and
- ◆ Lack of adequate staffing, training, facilities, resources, and so forth.



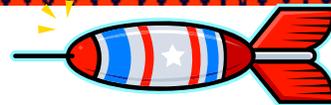
The regulations require schools to have written policies and procedures for administering Title IV programs. The policies and procedures must include but are not limited to student consumer information, verification of information reported on a student's financial aid application, satisfactory academic progress, Return of Title IV funds, and loan disclosure statements and fact sheets. Although the law does not require schools to maintain written policies and procedures in a manual, schools generally find that a manual helps them manage financial aid programs more effectively, efficiently, and consistently (34 CFR 668.16(b) (4)).

Communication is a key factor in managing and processing FSA funds. Therefore, all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance must be effectively communicated to the individual designated to be responsible for administering the Title IV, HEA programs.

Schools that participate in the FSA programs must designate a capable individual to administer the FSA programs and coordinate aid from these programs with all other aid received by students attending the school. An individual is "capable" if he or she is certified by the state in which the school is located, if state certification is required. Other factors affecting capability include the individual's successful completion of the FSA program training provided or approved by the ED, and previous experience and documented success in FSA program administration (2004–2005 *FSA Handbook*, Vol. 2, p. 179).

Furthermore, in order to manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. The number of students receiving aid, the number and types of programs the school participates in, the number of applicants evaluated and processed, the amount of funds administers, and the type of financial aid delivery system the school uses all play a factor in determining an adequate staff number. The ED determines, on a case-by-case basis, whether a school has an adequate number of qualified persons—based on program reviews, audits, and information provided on the school's application for approval—to participate in the FSA programs (2004–2005 *FSA Handbook*, Vol. 2, p. 184).

## Goings On



Congratulations to Kimberly Norton at Montreat College—she was promoted to Director of Financial Aid.

A special thanks to Sandra Perez for all her help during Dawn Davison's FMLA. Welcome back, Dawn!

Do you have information about job openings or upcoming events at your institution that you would like to share with other IPD client institutions? Just e-mail the information (including the name of the event or job opening; any relevant dates; and a name, telephone number, or e-mail address of a contact person) by March 1, 2006, to Teresa Corno at [teresa.corno@apollogrp.edu](mailto:teresa.corno@apollogrp.edu), so that your information will be included in the next newsletter.

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