Becoming a Title IV School

Prepared by
Jay Vaughan
Partner, Higher Education Group
Cooley LLP
What is Title IV?

- Federal Student Financial Assistance Programs Authorized by the Higher Education Act of 1965 as Amended
- Includes Both Grant and Loan Programs
- Available Only to Eligible Students Enrolled in Eligible Programs at ED Approved Participating Institutions
Eligible Institution

- Must BeLicensed or Otherwise Authorized by the State Where It Operates to Offer a Postsecondary Education Program
  - State Must Authorize Institution by Name to Operate Postsecondary Educational Programs
  - State Must Have a Process to Review and Act on Complaints and Enforce Applicable State Laws
- Must Be Accredited by an Institutional Accrediting Agency Approved by the Secretary of the U.S. Department of Education
- Must Admit as Regular Students only Persons with High School Diplomas or the Recognized Equivalent or Beyond the Age of Compulsory Attendance
Types of Eligible Institutions

- Institution of Higher Education
  - Public or Private Nonprofit Institution Located in U.S. or Its Territories
  - Traditional Universities and Community Colleges

- Proprietary Institution of Higher Education
  - Private, For-Profit Institution Located in U.S. or Its Territories
  - Traditional or Non-Traditional Universities and Colleges
  - Career Training Institutes and Colleges

- Postsecondary Vocational Institution
  - Public or Private Nonprofit Institution Located in U.S. or Its Territories
  - Vocational Program Institutions
Additional Eligibility Requirements

• Two-Year Rule (Proprietary and Vocational Institutions Only)
  • Must Have Been Licensed and Offering the Same Postsecondary Programs for at Least Two Consecutive Years Prior to Application

• Financial Statements
  • Must Provide the Two Most Recent Audited Financial Statements Prepared According to Generally Accepted Accounting Principles and Audited According to Generally Accepted Government Auditing Standards

• Must Offer at Least One Eligible Program with Actively Enrolled Students
• Must Not Have Filed for Bankruptcy Protection

• Institution, Owner, and CEO Must Not Have Pled Guilty, Pled No Contest, or Been Found Guilty of a Crime or Determined to Have Committed Fraud Involving Federal, State, or Local Government Funds

• Institution, Owner, and CEO Must Not Have Been Administratively or Judicially Determined To Have Committed Fraud Involving Federal, State, or Local Government Funds
• High School Diploma Requirement
  • At Least 50% of the Regular Students Enrolled in an Award Year Must Be High School Graduates or the Equivalent

• Incarcerated Students Rule
  • No More Than 25% of the Regular Students Enrolled in an Award Year Can Be Incarcerated
• Correspondence Instruction Limitations
  • No More Than 50% of Courses in an Award Year Can Be Offered by Correspondence
    • Telecommunications Courses are Correspondence Courses if All Telecommunications Courses and Correspondence Courses Together Equal at Least 50% of All Courses Provided
  • No More Than 50% of Regular Students Enrolled in an Award Year Can Be Enrolled in Correspondence Courses
  • Distance Education Programs Could Be Classified as Correspondence Programs if Lacking Regular and Substantive Faculty/Student Interaction
Eligible Programs

• Institution of Higher Education Programs
  • Associate’s, Bachelor’s, Graduate or Professional Degree; or
  • At Least a Two-Year Program that Is Acceptable for Full Credit toward a Bachelor’s Degree; or
  • At Least a One-Year (Federal Definition) Program that Leads to a Credential and Prepares Students for Gainful Employment in a Recognized Occupation
    • Gainful Employment Rules (Disclosures and Metrics) Apply to Certificate Programs Not Leading to or Transferable to a Degree
  • Comprehensive Transition Programs (Intellectually Disabled Students)
Eligible Programs (cont.)

- Proprietary Institution of Higher Education Programs
  - Programs Must Be in Existence for at Least Two Years with No Substantial Changes at the Time of Application (Two-Year Rule)
  - ED May Restrict Program Additions or Modifications for Two Years After Approval
  - Eligible Programs That Provide Training for Gainful Employment in a Recognized Occupation; Gainful Employment Rules (Disclosures and Metrics) Apply
  - Program Leading to a Bachelor’s Degree in Liberal Arts (very limited exemption and likely not applicable for most for-profit schools)
  - Comprehensive Transition Programs (Intellectually Disabled Students)
Eligible Programs (cont.)

- Minimum Program Lengths at Proprietary Institutions
  - At Least 15-Week Undergraduate Program with 600 Clock Hours or 16 Semester or 24 Quarter Credits, May Admit Students without an Associate’s Degree; or
  - At Least 10-Week Program with 300 Clock Hours or 8 Semester or 12 Quarter Credits at Graduate Level or that Admits Only Students with at Least an Associate’s Degree; or
  - At Least 10-Week Undergraduate Program with 300-599 Clock Hours that Admits Students without an Associate’s Degree and that Has Verified Completion and Placement Rates of at Least 70% (Federal Calculation), Has Been in Existence for at Least One Year, and Meets Certain Program Length Requirements (Eligible Only for Direct Loan Participation)
Federal Definitions

- **Academic Year (Two Components)**
  - Calendar Time
    - 30 Weeks of Instruction; or
    - 26 Weeks of Instruction (Clock Hour Programs Only)
  - Amount of Instruction
    - 900 Clock Hours; or
    - 24 Semester Credits; or
    - 36 Quarter Credits
Credit Hour Definition for Degree Programs

- The Amount of Work that Reasonably Approximates an Average of:
  - One Hour of Classroom or Direct Faculty Instruction and a Minimum of Two Hours of out of Class Student Work Each Week for Each Credit Assigned
  - Approximately 15 Weeks for a Semester or Trimester Hour
  - 10 to 12 Weeks for One Quarter Hour of Credit
  - Can Include Academic Activities such as Laboratory Work, Internships, Practica, Studio Work, or other Academic Work Leading to the Award of Credit-Hours
Clock Hour to Credit Formulas for Non-Degree Programs

- Applies to Programs that Do Not Lead to or Transfer to a Degree
- Semester Credit Hour Conversion: 37.5 Clock Hours to 1 Credit Hour
- Quarter Credit Hour Conversion: 25 Clock Hour to 1 Credit Hour
- May Count Outside Preparation (Homework) Under Certain Circumstances
  - Must Be Approved By Accreditor
  - Must Be Determined by Course
  - Not to Exceed 5 Clock Hours Per 20 Clock Hours for Quarter Credits or 7.5 Clock Hours Per 30 Clock Hours for Semester Credits
• Administrative Capability
  • Must Be Able to Process Title IV Electronically
  • Must Designate Capable Individual to Administer Title IV Programs
  • Must Have Adequate Staffing
  • Has Written Policies and Procedures to Administer Title IV Programs
  • Has Separate Awarding and Disbursement Personnel
  • Has Adequate Internal Checks and Balances
  • Has Frequent Reconciliation Between the Fiscal and Financial Aid Offices
Additional Requirements (cont.)

- Administrative Capability (cont.)
  - Has Adequate Record Keeping
  - Has a Process to Identify Conflicting Information
  - Must Provide Financial Aid Counseling
  - Must Adopt an Acceptable Satisfactory Academic Progress Policy
  - Submits Required Reports and Audits to ED Timely
Additional Requirements (cont.)

- Administrative Capability (cont.)
  - Must Not Exceed Student Loan Cohort Default Rates of 40% in a Single Year or 30% for Three Consecutive Years
  - New Schools Must Develop Default Management Plans
  - New Schools Must Have Withdrawal Rate of Less Than 33% (Federal Calculation)
  - Neither School nor Any Principal Has Been Debarred or Suspended
  - Has a Process to Evaluate the Validity of High School Completion
• Financial Responsibility
  • Assessment of Whether School Can:
    • Provide Services Described in Its Publications
    • Properly Administer Title IV Funds
    • Meet All of Its Financial Obligations
  • Two Basic Considerations:
    • General Standards of Financial Health
    • Past Performance and Evaluation of Affiliated Individuals
• Financial Responsibility (cont.)
  • School Is Determined to Be Financially Responsible if It
    • Has Composite Score of at Least 1.5
    • Has Sufficient Cash Reserves to Make Required Refunds of Unearned Title IV Funds
    • Is Current in Debt Payments
    • Is Meeting All Financial Obligations, Including Making Refunds
• Financial Responsibility (cont.)
  • Alternative for New School to Demonstrate Financial Responsibility
  • Can Have Composite Score below 1.5 but Must Meet All Other Standards
  • Must Submit Irrevocable Letter of Credit
    • Acceptable and Payable to Department
    • Equal to 50% of Title IV Funds that Department Determines School Would Receive in Initial Year of Participation
Application

• Must Be Submitted Electronically
  • www.eligcert.ed.gov
  • Click “Initial Applicants”

• Must Be Materially Complete
  • Answers All Questions
  • Report All Third-Party Services Involved in Title IV Administration
  • Report All Programs and Locations Where More Than 50% of Any Program is Offered
  • Includes Copy of State License
  • Includes Documentation of Appropriate Accreditation
  • Two Years’ Audited Financial Statements
• School Must Send Two Representatives to Precertification Training Workshop
  • One Must Be Capable Designated Title IV Administrator
  • One Must Be at the Executive Level
  • Must Attend All 4-1/2 Days of Workshop
  • Must Attend Up to 12 Months Before or After the Execution of the Participation Agreement

• Provisional Certification (up to One Year)
  • May Include Growth Restrictions

• Must Sign Program Participation Agreement
For more information, please contact:

**Jay Vaughan**
Partner, Higher Education Group
Cooley LLP
1299 Pennsylvania Avenue, NW
Washington, DC 20004
Phone: +1 202 776 2031
Fax: +1 202 842 7899
jvaughan@cooley.com