

**Proposed Regulatory Language
Committee III – General Provisions**

Issue #1: Consistent enrollment status definitions for all Title IV programs

Regulatory Cite: §668.2(b); §668.10(a)(3)(v); §668.10(a)(3)(vi); §674.2(b);
§682.200; §685.102; §690.2(c)

Summary of Change for 3-14 to 3-16 meeting: Definitions for full-time student, half-time student, and three-quarter time student were updated as needed, consolidated, and moved to §668.2(b). More specifically, the definition for a full-time student in a clock hour program was updated to reflect the new academic year definition, which changed the minimum number of weeks of instructional time from 30 to 26. In order for a full-time clock hour student to meet the required 900 hours by the end of the minimum 26 weeks, a student must now complete 35 hours of instructional time per week instead of 24. Additionally, a definition of full-time for a student who is taking some correspondence coursework has been added to the general definitions. References to these terms in §668.10(a)(3)(v), §668.10(a)(3)(vi), §674.2(b), §682.200, §685.102, §690.2(c), §690.8(c), and §691.8(c) have been removed.

Tentative Agreement: No

Update since 3-14 to 3-16 meeting: Full-time clock hour definition has reverted to 24 clock hours per week.

Change:

§668.2(b) General Definitions.

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Full-time student: An enrolled student who is carrying a full-time academic workload as determined by the institution under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student. However, for an undergraduate student, an institution's minimum standard must equal or exceed one of the following minimum requirements:

(1) For a program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), 12 semester hours or 12 quarter hours per academic term.

(2) For a program that measures progress in credit hours and does not use terms, 24 semester hours or 36 quarter

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hours over the weeks of instructional time in the academic year, or the prorated equivalent if the program is less than one academic year.

(3) For a program that measures progress in credit hours and uses nonstandard terms (terms other than semesters, trimesters or quarters) the number of credits determined by:

(i) Dividing the number of weeks of instructional time in the term by the number of weeks of instructional time in the program's academic year; and

(ii) Multiplying the fraction determined under (b)(3)(i) of this section by the number of credit hours in the program's academic year.

(4) For a program that measures progress in clock hours, 24 clock hours per week.

(5) A series of courses or seminars that equals 12 semester hours or 12 quarter hours in a maximum of 18 weeks.

(6) The work portion of a cooperative education program in which the amount of work performed is equivalent to the academic workload of a full-time student.

(7) For correspondence coursework, a full-time courseload must be--

(i) Commensurate with the full-time definitions listed in paragraphs one through six of this section; and

(ii) At least one-half of the coursework must be made up of non correspondence coursework that meets one-half of institution's requirement for full-time students.

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Half-time student: (1) Except as provided in paragraph (2), an enrolled student who is carrying a half-time academic work load, as determined by the institution, that amounts to at least half the work load of the applicable minimum requirement outlined in the definition of a full-time student.

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(2) A student enrolled solely in a program of study by correspondence who is carrying a work load of at least 12 hours of work per week, or is earning at least 6 credit hours per semester, trimester or quarter. However, regardless of the work, no student enrolled solely in correspondence study is considered more than a half-time student.

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Three-quarter time student: An enrolled student who is carrying a three-quarter-time academic work load, as determined by the institution, that amounts to at least three quarters of the work of the applicable minimum requirement outlined in the definition of a full-time student.

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Definitions removed from program regulations.

[The definitions that have been added to the General Provisions regulations will be listed in each part, as appropriate, with the terms used in that part that are set forth in subpart A of the Student Assistance General Provisions, 34 CFR 668.]

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Issue #2: Consistent definitions for undergraduate student, graduate or professional student and first-professional degree for all Title IV programs.

Regulatory Cite: §674.2(b); §675.2(b); §676.2(b); §682.200; §690.2; §691.2

Summary of Change for 3-14 to 3-16 meeting: Definitions for undergraduate and graduate or professional student were consolidated and moved to §668.2(b). References to these terms in §674.2(b), §675.2(b), §676.2(b), §682.200, §690.2, and §691.2 have been removed. Language was added to the definition of undergraduate student to clarify that any student who is enrolled in a dual degree program (bachelor’s and higher) is considered an undergraduate student for purposes of Federal student aid for his/her first three academic years in the program. A definition for first professional degree was added to §668.2(b) to clarify that designation. It is based on the definition of first professional degree used by the Integrated Postsecondary Education Data System (IPEDS).

Tentative Agreement: Yes.

Update since 3-14 to 3-16 meeting: Language that references post-baccalaureate teacher certification programs as covered by §690.6(c)(5) was added to the definition for undergraduate student.

Change:

§ 668. 2(b) General definitions.

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First professional degree: A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor’s degree. Professional licensure is also generally required. Examples of a first professional degree include but are not limited to Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B., or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), and Theology (M.Div., or M.H.L.).

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Graduate or professional student: A student who:

(1) Is not receiving title IV aid as an undergraduate student for the same period of enrollment;

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(2) Is enrolled in a program or course above the baccalaureate level at an institution of higher education; or is enrolled in a program leading to a first professional degree; and

(3) Has completed the equivalent of at least three academic years of full-time study at an institution of higher education, either prior to entrance into the program or as part of the program itself.

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Undergraduate student:

(1) A student who is enrolled in an undergraduate course of study that usually does not exceed four academic years, or is enrolled in a longer program designed to lead to a first degree at the baccalaureate level. For purposes of §690.6 (c)(5) students who have completed a baccalaureate program of study and who are subsequently completing a state-required teacher certification program are treated as undergraduates.

(2) In addition to meeting the definition in paragraph (1), a student is only considered an undergraduate for purposes of the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, the Federal Pell Grant Program, the Academic Competitiveness Grant (ACG) Program, and National Science and Mathematics Access to Retain Talent (SMART) Grant Program if the student has not yet earned a baccalaureate or first professional degree. However, for purposes of §690.6 (c)(5) students who have completed a baccalaureate program of study and who are subsequently completing a state-required teacher certification program are treated as undergraduates.

(3) For purposes of dual degree programs that allow individuals to complete a bachelor's degree and either a graduate or first professional degree within the same program, a student is considered an undergraduate student for at least the first three academic years of that program.

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Definitions removed from program regulations.

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[The definitions that have been added to the General Provisions regulations will be listed in each part, as appropriate, with the terms used in that part that are set forth in subpart A of the Student Assistance General Provisions, 34 CFR 668.]

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Issue #3: Define independent study

Regulatory Cite: §600.2; §668.10(a)(3)(iii)

Summary of Change for 3-14 to 3-16 meeting: A definition of independent study will be added to §668.2(b).

Update since 3-14 to 3-16 meeting: Narrowed the definition of independent study and added it to §668.10(a)(3)(iii).

Tentative Agreement: No

Change:

§ 668.10(a)(3)(iii) Direct Assessment Programs.

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A week of instructional time in a direct assessment program is any seven-day period in which at least one day of educational activity occurs. Educational activity in a direct assessment program includes regularly scheduled learning sessions, faculty-guided independent study, consultations with a faculty mentor, development of an academic action plan addressed to competencies identified by the institution, or, in combination with any of the foregoing, assessments. It does not include credit for "life experience." For purposes of direct assessment programs, independent study occurs when a student follows a course of study with predefined objectives but works with a faculty member to decide how the student is going to meet those objectives. The student and faculty member agree on what the student will do (e.g., required readings, research, and work products), how the student's work will be evaluated, and on what the relative timeframe for completion of the work will be. The student must interact with the faculty member on a regular and substantive basis to assure progress within the course or program.

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Issue #4 & Issue #6: Nonterm credit hour programs--Use of completion of half the weeks of instructional time for timing of loan disbursements, and require institutions to use consistent disbursement periods for Title IV programs, where allowed under the law.

Regulatory Cite: §668.4, §668.22(e)(5), §668.164(b)(1), §682.604(c)(6), (c)(7), and (c)(8), §685.301(b)(2), (b)(3), (b)(5), and (b)(6), §674.16(b), §676.16(a), §690.76, §691.76

Summary of change for 3-14 to 3-16 meeting: The definition of a payment period has been changed to make the payment period definition the same for all Title IV grant and loan programs, except where prohibited by law and regulation (i.e., for nonstandard term programs using terms that are not substantially equal in length). This has been accomplished by: (1) applying the requirement that a student complete half the coursework and half the weeks of instructional time, rather than the use of completion of half the coursework and the calendar midpoint as currently used in the FFEL and Direct Loan program, for the timing of second disbursements to students in nonterm credit hour programs, and nonstandard term credit hour programs with terms that are not substantially equal in length; (2) requiring the completion of half the weeks instructional time in addition to half the clock hours in the payment period, before a second disbursement may be made to a student in a clock hour program to be consistent with current requirements for FFEL and Direct Loan funds and (3) for credit hour nonterm and clock hour programs, requiring two payment periods for any remainder of a program that is one academic year or less in length to be consistent with current requirements for FFEL and Direct Loan funds. Finally, a change to §668.22 has been made to require an institution to select and consistently use either the FFEL/Direct Loan payment period or the Title IV grants/Perkins loan payment period for Return of Title IV Funds calculations for a program that is measured in nonstandard terms that are not substantially equal in length. Aid that is not disbursed by the selected payment period must be attributed.

To ensure consistency, §668.4 would be amended further to no longer permit an institution to have more than two payment periods in an academic year/program. For example, for a clock hour program of 900 hours, an institution would be required to disburse Title IV grant and Perkins Loan funds using two 450 hour payment periods. We note that under §690.76 and §691.76, an institution may pay a student Pell Grant, ACG and/or National SMART Grant funds at such times and in such installments in each payment period as it determines will best meet the student's needs. Corresponding provisions for Perkins Loan and FSEOG funds are found in §674.16(b), §676.16(a) respectively. So, for example, an institution could make two Pell Grant payments within each payment period for a total of four Pell Grant payments for the program.

Updated information since 3-14 to 3-16 meeting: (1) Changed the payment period definition for a remainder of a program less than half an academic year in length to be the remainder of the program, instead of dividing that period in two (for clock hour programs, nonterm credit hour programs and, for FFEL and Direct Loans, nonstandard

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term credit hour programs with terms that are not substantially equal in length). Noted in §668.164 by cross-reference that, in accordance with statute, the regulation will require two disbursements of FFEL and Direct Loan funds for this single payment period. (2) Added clock hours to the provision in new §668.4(c)(3) addressing situations where an institution is unable to determine when a student has successfully completed half the hours. (3) Added language to new §668.4(d) to address the cohort default rate exemption for disbursing FFEL and Direct Loan funds for nonstandard term, nonterm, and clock hour programs. (4) Moved from §668.164 to new §668.4(e) language that delineates when an institution may count excused absences as completed clock hours. (5) Added at new §668.4(g)(3) current FSA Handbook guidance regarding the definition of a payment period for a student who transfers into another program at the same school where the coursework is substantially similar to permit the school to consider the student to remain in the same payment period. (6) Defined “successfully complete” in new §668.4(h). (7) In §668.164(b), specified that an institution must disburse funds once each payment period, noted exceptions to this. (8) For consistency and to make clear the changed treatment of less-than-full-time students, changed the definition of “period of enrollment” to be measured in weeks of instructional time. (9) Revised the Return of Title IV funds language to require an institution to always use the payment period that ends later, rather than requiring an institution to select and consistently use either the FFEL/Direct Loan payment period or the Title IV grants/Perkins loan payment period for Return of Title IV Funds calculations for a program that is measured in nonstandard terms that are not substantially equal in length.

Tentative Agreement: No.

Change:

§668.4 Payment period.

(a) Payment periods for an eligible program that measures progress in credit hours and uses standard terms or nonstandard terms that are substantially equal in length. For a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are substantially equal in length, the payment period is the academic term;

(b) Payment periods for an eligible program that measures progress in credit hours and uses nonstandard terms that are not substantially equal in length. For a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are not substantially equal in length—

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(1) For Pell Grant, ACG, National SMART Grant, FSEOG, and Perkins Loan program funds, the payment period is the academic term.

(2) For FFEL and Direct Loan program funds–

(i) For a student enrolled in an eligible program that is one academic year or less in length–

(A) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the program and half the number of weeks of instructional time in the program; and

(B) The second payment period is the period of time in which the student successfully completes the program.

(ii) For a student enrolled in an eligible program that is more than one academic year in length–

(A) For the first academic year and any subsequent full academic year–

(1) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the academic year and half the number of weeks of instructional time in the academic year; and

(2) The second payment period is the period of time in which the student successfully completes the academic year.

(B) For any remaining portion of an eligible program that is more than one-half an academic year but less than a full academic year in length–

(1) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the remaining portion of the program and half the number of weeks of instructional time remaining in the program; and

(2) The second payment period is the period of time in which the student successfully completes the remainder of the program.

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(C) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.

(c) Payment periods for an eligible program that measures progress in credit hours and does not have academic terms or for a program that measures progress in clock hours. (1) For a student enrolled in an eligible program that is one academic year or less in length–

(i) The first payment period is the period of time in which the student successfully completes half the number of credit hours or clock hours, as applicable, in the program and half the number of weeks of instructional time in the program; and

(ii) The second payment period is the period of time in which the student successfully completes the program or the remainder of the program.

(2) For a student enrolled in an eligible program that is more than one academic year in length–

(i) For the first academic year and any subsequent full academic year–

(A) The first payment period is the period of time in which the student successfully completes half the number of credit hours or clock hours, as applicable, in the academic year and half the number of weeks of instructional time in the academic year; and

(B) The second payment period is the period of time in which the student successfully completes the academic year.

(ii) For any remaining portion of an eligible program that is more than one-half an academic year but less than a full academic year in length–

(A) The first payment period is the period of time in which the student successfully completes half the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half the number of weeks of instructional time remaining in the program; and

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(B) The second payment period is the period of time in which the student successfully completes the remainder of the program.

(iii) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.

(3) For purposes of paragraphs (c)(1) and (c)(2) of this section, if an institution is unable to determine when a student has successfully completed half of the credit hours or clock hours in a program, academic year, or remainder of a program, the student is considered to begin the second payment period of the program, academic year, or remainder of a program at the later of the date, as determined by the institution, on which the student has successfully completed—

(i) Half of the academic coursework in the program, academic year, or remainder of the program; or

(ii) Half the number of weeks of instructional time in the program, academic year, or remainder of the program.

(d) *Application of the cohort default rate exemption.* Notwithstanding paragraphs (a), (b), and (c) of this section, if §682.604(b)(10) or §685.301 (b)(8) applies to an eligible program that measures progress in credit hours and uses nonstandard terms, an eligible program that measures progress in credit hours and does not have academic terms, or an eligible program that measures progress in clock hours, the payment period for purposes of FFEL and Direct Loan funds is the loan period for those portions of the program to which §682.604(b)(10) or §685.301 (b)(8) applies.

(e) *Excused absences.* (1) For purposes of this section, in determining whether a student successfully completes the clock hours in a payment period, an institution may include clock hours for which the student has an excused absence (i.e., an absence that a student does not have to make up) if—

(1) The institution has a written policy that permits excused absences; and

(2) The number of excused absences under the written policy for purposes of this paragraph does not exceed the lesser of—

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(i) The policy on excused absences of the institution's accrediting agency or, if the institution has more than one accrediting agency, the agency designated under 34 CFR part 600.11(b);

(ii) The policy on excused absences of any State agency that licenses the institution or otherwise legally authorizes the institution to operate in the State; or

(iii) Ten percent of the clock hours in the payment period.

(f) *Re-entry within 180 days.* If a student withdraws from a program described in paragraph (c) of this section during a payment period and then reenters the same program within 180 days, the student remains in that same payment period when he or she returns and, subject to conditions established by the Secretary or by the FFEL lender or guaranty agency, is eligible to receive any title IV, HEA program funds for which he or she was eligible prior to withdrawal, including funds that were returned by the institution or student under the provisions of §668.22.

(g) *Re-entry after 180 days or transfer.* (1) Except as provided in paragraph (g)(3) of this section, and subject to the conditions of paragraph (g)(2) of this section, an institution calculates new payment periods for the remainder of a student's program based on paragraph (c) of this section, for a student who withdraws from a program described in paragraph (c) of this section, and—

(i) Reenters that program after 180 days,

(ii) Transfers into another program at the same institution within any time period, or

(iii) Transfers into a program at another institution within any time period.

(2) For a student described in paragraph (g)(1) of this section—

(i) For the purpose of calculating payment periods only, the length of the program is the number of credit hours and the number of weeks of instructional time, or the number of clock hours and the number of weeks of instructional time, that the student has remaining in the program he or she enters or reenters; and

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(ii) If the remaining hours and weeks constitute one-half of an academic year or less, the remaining hours constitute one payment period.

(3) Notwithstanding the provisions of paragraph (g)(1) of this section, an institution may consider a student who transfers into another program at the same institution to remain in the same payment period if—

(i) The student is continuously enrolled at the institution;

(ii) The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program;

(iii) The payment periods are substantially equal in length; and

(iv) There are little or no changes in the charges to the student.

(h) *Definitions.* For purposes of this section--

(1) Terms are "substantially equal in length" if no term in the program is more than two weeks of instructional time longer than any other term in that program.

(2) A student "successfully completes" credit hours or clock hours if the institution considers the student to have passed the coursework associated with those hours.

§668.10 Direct assessment programs.

(a)* * *

(3)* * *

(ii) A payment period in a direct assessment program for which equivalence in credit hours has been established must be determined under the requirements in §668.4(a), (b), or (c), as applicable, using the academic year determined in accordance with paragraph (a)(3)(i) of this section (or the portion of that academic year comprising or remaining in the program). A payment period in a direct assessment program for which equivalence in clock hours has been established must be determined under the requirements in §668.4(c), using the academic year determined in accordance

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with paragraph (a)(3)(i) of this section (or the portion of that academic year comprising or remaining in the program).

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§ 668.164 Disbursing funds.

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(b) *Disbursements by payment period.* (1) Except as provided in paragraph (b)(2) of this section, an institution must disburse title IV, HEA program funds on a payment period basis. An institution must disburse title IV, HEA program funds once each payment period unless—

(i) For FFEL and Direct Loan funds, §682.604(c)(6)(ii), or §685.301(b)(3) applies; or

(ii) For FSEOG, Federal Pell Grant, ACG and National SMART Grant funds, an institution chooses to make more than one disbursement in each payment period in accordance with §676.16(a)(3), §690.76, or §691.76, as applicable.

(2) The provisions of paragraph (b)(1) of this section do not apply to the disbursement of FWS Program funds.

(3) Except as provided in paragraph (g) of this section, an institution may disburse title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

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§ 682.200 Definitions.

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(b) The following definitions also apply to this part:

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Period of enrollment. The period for which a Stafford, SLS, or PLUS loan is intended. The period of enrollment must coincide with a *bona fide* academic term established by the school for which institutional charges are generally assessed (e.g. semester, trimester, or quarter in weeks of instructional time, length of the student's program in weeks of instructional time or academic year in weeks of instructional time). The period of enrollment is also referred to as the loan period.

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§682.604 Processing the borrower's loan proceeds and counseling borrowers.

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(c) * * *

(6) Unless the provision of §682.207(d) applies–

(i) If a loan period is more than one payment period, the school must deliver loan proceeds at least once in each payment period; and

(ii) If a loan period is one payment period, the school must make at least two deliveries of loan proceeds during that payment period. The school may not make the second delivery until the student completes half the number of credit hours or clock hours and half the number of weeks of instructional time in the payment period.

§685.301 Origination of a loan by a Direct Loan Program school.

(b) * * *

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(2) An institution must disburse the loan proceeds on a payment period basis in accordance with 34 CFR 668.164(b).

(3) Unless paragraph (b)(4) of this section applies–

(i) If a loan period is more than one payment period, the school must disburse loan proceeds at least once in each payment period; and

(ii) If a loan period is one payment period, the school must make at least two payments during that payment period. The school may not make the second payment until the student completes half the number of credit hours or clock hours and half the number of weeks of instructional time in the payment period.

(4)(i) If one or more payment periods have elapsed before a school makes a disbursement, the school may include in the disbursement loan proceeds for completed payment periods;
or

(ii) If the loan period is equal to one payment period and more than one-half of it has elapsed, the school may

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include in the disbursement loan proceeds for the entire payment period.

(renumber and change cross-references as necessary)

§668.22 Treatment of title IV funds when a student withdraws.

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(e) * * *

(5) *Use of payment period or period of enrollment.* (i) The treatment of title IV grant or loan funds if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester, or quarter) educational program.

(ii)(A) The treatment of title IV grant or loan funds if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based educational program or a nonstandard term-based educational program.

(B) An institution must consistently use either a payment period or period of enrollment for all purposes of this section for each of the following categories of students who withdraw from the same non-term based or nonstandard term-based educational program:

(1) Students who have attended an educational program at the institution from the beginning of the payment period or period of enrollment.

(2) Students who re-enter the institution during a payment period or period of enrollment.

(3) Students who transfer into the institution during a payment period or period of enrollment.

(iii) For a program that measures progress in credit hours and uses nonstandard terms that are not substantially equal in length, if the institution uses the payment period to determine the treatment of title IV grant or loan funds for a category of students found in paragraph (e)(5)(ii)(B) of this section, the institution must—

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(A)(1) For students in the category who are disbursed or could have been disbursed aid using both the payment period definition in §668.4(b)(1) and the payment period definition in §668.4(b)(2), use the payment period during which the student withdrew that ends later; and

(2) Attribute to the payment period that ends later the amount of title IV, HEA program assistance that was disbursed or that could have been disbursed from the payment periods that are not used for the calculation that overlap the payment period that ends later.

(B) For students in the category who are disbursed or could have been disbursed aid using only the payment period definition in §668.4(b)(1) or the payment period definition in §668.4(b)(2), use the payment period definition for which title IV, HEA program funds were disbursed for a student's calculation under this section.

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Issue #5: Determining loan eligibility for nonstandard term programs

Regulatory Cite: §682.603, §685.301

Summary of Change for 3-14 to 3-16 meeting: A student must successfully complete an academic year to progress to the next FFEL or Direct Loan annual loan limit. For a standard term based program, a student progresses to the next loan limit if he or she completes an academic year in calendar time. This change permits a student to progress to the next annual loan limit in a nonstandard term based program also based on calendar time only, if the terms in the program are substantially equal in length and are at least 9 weeks in length.

Updated information since 3-14 to 3-16 meeting: Made technical changes to clarify treatment for nonstandard term programs with terms that are not substantially equal in length and/or each term is not at least 9 weeks of instructional time in length.

Tentative Agreement: Yes.

Change:

§682.603 Certification by a participating school in connection with a loan application.

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(g)(1) If a school measures academic progress in an educational program in credit hours and uses either standard terms (semesters, trimesters, or quarters) or nonstandard terms that are substantially equal in length, and each term is at least 9 weeks of instructional time in length, a student is considered to have completed an academic year and progresses to the next annual loan limit when the academic year calendar period has elapsed.

(2) If a school measures academic progress in an educational program in nonstandard terms that are not substantially equal in length and/or each term is not at least 9 weeks of instructional time in length, or in credit hours and does not have academic terms, a student is considered to have completed an academic year and progresses to the next annual loan limit at the later of—

(i) The student's completion of the weeks of instructional time in the student's academic year; or

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(ii) The date, as determined by the school, that the student has successfully completed the academic coursework in the student's academic year.

(3) If a school measures academic progress in an educational program in clock hours, a student is considered to have completed an academic year and progresses to the next annual loan limit at the later of—

(i) The student's completion of the weeks of instructional time in the student's academic year; or

(ii) The date, as determined by the school, that the student has successfully completed the clock hours in the student's academic year.

(4) For purposes of paragraphs (g)(1) and (g)(2) of this section, terms in a loan period are substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in that loan period.

Current (g)-(i) become (h)-(j).

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§685.301 Origination of a loan by a Direct Loan Program school.

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(c) *Annual loan limit progression based on completion of an academic year.* (1) If a school measures academic progress in an educational program in credit hours and uses either standard terms (semesters, trimesters, or quarters) or nonstandard terms that are substantially equal in length, and each term is at least 9 weeks of instructional time in length, a student is considered to have completed an academic year and progresses to the next annual loan limit when the academic year calendar period has elapsed.

(2) If a school measures academic progress in an educational program in nonstandard terms that are not substantially equal in length and/or each term is not at least 9 weeks of instructional time in length, or in credit hours and does not have academic terms, a student is

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considered to have completed an academic year and progresses to the next annual loan limit at the later of–

(i) The student's completion of the weeks of instructional time in the student's academic year; or

(ii) The date, as determined by the school, that the student has successfully completed the academic coursework in the student's academic year.

(3) If a school measures academic progress in an educational program in clock hours, a student is considered to have completed an academic year and progresses to the next annual loan limit at the later of–

(i) The student's completion of the weeks of instructional time in the student's academic year; or

(ii) The date, as determined by the school, that the student has successfully completed the clock hours in the student's academic year.

(4) For purposes of paragraphs (c)(1) and (c)(2) of this section, terms in a loan period are substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in that loan period.

Current (c) and (d) become (d) and (e).

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Issue #7: Recovery of funds not claimed by student or parent.

Regulatory cite: §668.161(b)

Summary of Change for 3-14 to 3-16 meeting: Establishes a timeframe for returning unclaimed funds to the Department or FFEL lender.

Updated information since 3-14 to 3-16 meeting: Provides an institution with 30 days to return funds if a check or EFT is returned undeliverable. Changed to allow, but not require, an institution to make a subsequent disbursement attempt for funds returned from a failed EFT or returned check. Any second attempt to disburse the funds must be made within the 30-day period. Changed the timeframe for returning funds from uncashed checks that are not returned from 180 days to 240 days from the date the first attempt is made to pay the funds to the student either by check or by EFT. If the institution made the initial attempt to disburse the funds by EFT and subsequently attempted to issue the funds by check, the 240-day period begins when the initial EFT attempt was made.

Institutions will be expected to take the 240-day time period from the initial attempt to pay the student into consideration when deciding whether to attempt a second payment to a student by check or EFT.

Tentative Agreement: No.

Change:

§668.161 Scope and purpose.

* * * * *

(b) *Federal interest in title IV, HEA program funds.*

(1) Except for funds received by an institution for administrative expenses and for funds used for the Job Location and Development Program under the FWS Programs, funds received by an institution under the title IV, HEA programs are held in trust for the intended student beneficiary, the Secretary, or lender or a guaranty agency under the FFEL programs. The institution, as a trustee of Federal funds, may not use or hypothecate (i.e., use as collateral) title IV, HEA program funds for any other purpose.

(2) Notwithstanding any State law, an institution must return to the Secretary, lender, or guaranty agency, as applicable, any title IV, HEA program funds that it attempts to disburse directly to a beneficiary but the beneficiary does not receive or negotiate those funds. The

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institution must return those funds no later than the earlier of–

(i) 240 days after the date it makes an initial attempt to disburse the funds by check or Electronic Fund Transfer (EFT), if payment was made by check and the check was neither returned nor cashed; or

(ii) 30 days after a check or attempted EFT is returned undeliverable. The institution may make a second attempt to disburse undelivered funds during the 30-day period.

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Issue #8 and #9: Electronic disbursements, use of stored-value cards, and issuing a check.

Regulatory cite: §668.164(c) and §668.165(b)

Summary of Change for 3-14 to 3-16 meeting: Removes the Title IV requirement that an institution must first obtain a student’s authorization to make an electronic funds transfer (EFT), but adds a provision reminding the institution that it must comply with the E-Sign Act and State Law regarding electronic transactions. Modifies the date that a check is issued and conditions the use of EFT, particularly where the institution opens, or is active in opening, bank accounts (including stored-value cards) on behalf of students.

Updated information since 3-14 to 3-16 meeting: Removes the proposed provision that a check is issued on the date the institutions hands it over to the student, in favor of the current provision that the check is issued on the date the institution notifies a student it is available for immediate pick up. However, if the student does not pick up the check within 21 days, the institution must mail the check or return the funds. Modifies the provisions an institution must satisfy when it is actively involved in assisting or opening bank accounts on behalf of students by (1) replacing the State Law and Esign references with a requirement that the institution obtain written affirmative consent from the student or parent, and (2) providing that the institution may request, but not require, a student to open a bank account. Defines “bank account” as that term is used in this section. Addresses the situation where a school issues a stored-value card (or smartcard) that a student uses to access funds the institution holds for the student.

Tentative Agreement: No

Change:

§668.164 Disbursing funds.

* * * * *

(c) *Direct payments.* (1) An institution pays a student or parent directly by—

(i) Releasing to the student or parent a check provided by a lender to the institution under an FFEL Program;

(ii) Issuing a check payable to and requiring the endorsement of the student or parent. An institution issues a check the date that it—

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(A) Mails the check to the student or parent; or

(B) Notifies the student that the check is available for immediate pickup at a specified location at the institution. The institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate title IV, HEA program;

(iii) Initiating an EFT to a bank account designated by the student or parent; or

(iv) Dispensing cash for which the institution obtains a signed receipt from the student or parent.

(2) For purposes of this section, the term "bank account" means an FDIC insured account such as a checking or savings account, or a similar account that underlies a stored-value card or other transaction device.

(3) An institution may request, but not require or rely on, the student or parent to open a bank account. If the institution opens a bank account on behalf of a student or parent, establishes a process the student or parent follows to open a bank account, or otherwise assists the student or parent in opening a bank account, the institution must—

(i) Obtain in writing affirmative consent from the student or parent to open that account;

(ii) Not make any claims against the funds in the account without the written permission of the student or parent, except for correcting an error in transferring the funds in accordance with banking protocols;

(iii) Ensure that the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored-value card, other type of ATM card, or similar transaction device that is used to access the funds in that account;

(iv) Ensure that the student has convenient access to a branch office of the bank or automated teller machines

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(ATMs) of the bank in which the account was opened (or ATMs of an affiliated bank), so that the student does not incur any cost in making cash withdraws from that office or ATMs;

(v) Ensure that the debit, stored-value or ATM card, or other device can be widely used, e.g., the institution may not limit the use of the card or device to particular vendors;

(vi) Not market or portray the account, card, or device as a credit card or credit instrument, or subsequently convert the account, card, or device to a credit card or credit instrument; and

(vii) Before the account is opened, must inform the student or parent of the terms and conditions associated with accepting and using the account, card, or device.

A conforming change would be made in §668.165(b)(1):

(b) *Student or parent authorizations.* (1) If an institution obtains written authorization from a student or parent, as applicable, the institution may—

(i) Use the student's or parent's title IV, HEA program funds to pay for charges described in §668.164(d)(2) that are included in that authorization; and

(ii) Except if prohibited by the Secretary under the reimbursement or cash monitoring payment method, hold on behalf of the student or parent any title IV, HEA program funds that would otherwise be paid directly to the student or parent under §668.164(e). Under this provision, the institution may issue a stored-value card or other similar device that allows the student or parent to access those funds at his or her discretion to pay for educationally related expenses.

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Issue #10: Late, late disbursements.

Regulatory cite: §668.164(g)(4)

Summary of Change for 3-14 to 3-16 meeting: Removes the late, late disbursement provisions.

Updated information since 3-14 to 3-16 meeting: Changed the deadline for making late, late disbursements from 120 days to 180 days.

Tentative Agreement: No

Change:

§668.164 Disbursing funds.

* * * * *

(g) *Late disbursements.*

* * *

(4) *Limitations.* (i) An institution may not make a late disbursement later than 180 days after the date of the institution's determination that the student withdrew, as provided in §668.22, or, for a student who did not withdraw, 180 days after the date the student otherwise becomes ineligible.

(ii) ...Renumber the rest of the section.

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Issue #11: Affirmative confirmation of a loan.

Regulatory cite: §668.165(a)

Summary of Change for 3-14 to 3-16 meeting: For each award year, requires an institution to obtain written confirmation from a student that she wants the loans included in her aid package.

Updated information since 3-14 to 3-16 meeting: No longer requires an institution to receive confirmation from a student each year before disbursing loan funds. Instead, modifies the existing requirement that an institution notify a student (or parent) whenever it credits the student's account with loan funds. Under this proposal, an institution must notify the student (or parent) no earlier than 30 days before it credits the account, but no later than the date it credits the account. In addition, a student (or parent) would have 30 days to respond to the request, rather than the existing 14 days.

Tentative Agreement: No

Change:

§668.165 Notices and authorizations

(a) *Notices.* (1) Before an institution disburses title IV, HEA program funds for any award year, an institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

(2) If an institution credits a student's account at the institution with Direct Loan, FFEL, or Federal Perkins Loan Program funds, the institution must notify the student, or parent of—

(i) The date and amount of the disbursement;

(ii) The student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. However, the institution does not have to provide this information with regard to FFEL Program funds unless the

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institution received the loan funds from a lender through an EFT payment or master check; and

(iii) The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

(3) The institution must send the notice described in paragraph (a)(2) of this section in writing no earlier than 30 days before, but no later than the date it credits the student's account at the institution.

(4) If the institution receives a request from a student or parent to cancel all or a portion of a loan or loan disbursement within 30 days after the date the institution sends the notice described in paragraph (a)(2) of this section, the institution must return the loan proceeds, cancel the loan, or do both, in accordance with applicable program regulations.

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Issue #12: Definition of excess cash and excess cash allowances.

Regulatory cite: §668.166(a) and (b)

Summary of Change for 3-14 to 3-16 meeting: Modifies the definition of excess cash to include any Title IV funds received from the Department that an institution deposits or transfers into its Federal account. Eliminates the excess cash tolerances.

Updated information since 3-14 to 3-16 meeting: Instead of eliminating the excess cash tolerances, keeps the current provision that allows an institution to maintain excess cash for up to seven days for an amount that does not exceed one percent of the total amount of funds drawn down in the prior award year. Simplifies the current language in paragraph (c) regarding the consequences for maintaining excess cash.

Tentative Agreement: No

Change:

§668.166 Excess cash.

(a) *General.* (1) The Secretary considers excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution--

(i) Received those funds from the Secretary; or

(ii) Deposited or transferred to its Federal account previously disbursed title IV, HEA program funds received from the Secretary such as those resulting from award adjustments, recoveries, or cancellations.

(2) The provisions in this section do not apply to the title IV, HEA program funds that an institution receives from the Secretary under the just-in-time payment method.

(b) *Excess cash tolerances.* An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and

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any amount remaining in its account after the seven-day tolerance period.

(c) *Consequences for maintaining excess cash.* Upon a finding that an institution maintains excess cash for any amount or timeframe over that allowed in the tolerance provisions in paragraph (b) of this section, the actions the Secretary may take include, but are not limited to—

(1) Requiring the institution to reimburse the Secretary for the costs the Secretary incurred in providing that excess cash to the institution; and

(2) Providing funds to the institution under the reimbursement payment method or the cash monitoring payment method described in §668.163(d) and (e), respectively.

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Issue #13: Treatment of FFEL and Direct Loan funds when a student withdraws before beginning class—make consistent with other programs

Regulatory Cite: §668.21, §682.604(d)(3) and (4), §682.207, §685.303(b)(3)

Summary of Change for 3-14 to 3-16 meeting: To simplify and consolidate the requirements for the treatment of Title IV funds when a student does not begin attendance, this change would require that FFEL and Direct Loan funds be treated in the same manner as the current treatment for Title IV grant and Perkins Loan funds. That is, an institution would be responsible for returning any FFEL and Direct Loan funds that are disbursed to a student before the student begins attendance, even if those funds were disbursed directly to the student. In addition, this change would establish a 30-day timeframe for the return of funds and specify when a return is considered to have been made in a timely manner. The timely return specifications are the same as those currently found in §668.173, which are used for returns made in accordance with the Return of Title IV Funds requirements in §668.22. Institutions would not be responsible for returning loan funds that are disbursed directly to the student by the lender.

Updated information since 3-14 to 3-16 meeting: Changed §668.21 to (1) reflect current FFEL and Direct Loan requirements whereby an institution is not responsible for returning any FFEL and Direct Loan funds that are disbursed directly to a student before the student begins attendance, unless the institution knew that the student would not begin attendance prior to disbursing the funds directly to the student; (2) Also in accordance with current requirements, in addition to the amount of FFEL and Direct Loan funds credited to the student’s account, an institution must return the amount paid to the institution by or on behalf of the student, not to exceed the total amount of loan funds disbursed; and (3) An institution must notify the lender or Secretary, as appropriate, of amounts disbursed directly to the student that are outstanding, so that the lender or Secretary can issue a 30-day demand to the student. Changed §682.604 to clarify how to handle disbursed funds vs. undelivered funds. Determined that no changes to §682.607 are necessary.

Tentative Agreement: No.

Change:

§668.21 Treatment of title IV grant and loan funds if the recipient does not begin attendance.

(a) If a student does not begin attendance in a payment period or period of enrollment, the institution must—

(1) Return all title IV, HEA program funds that were credited to the student’s account at the institution or disbursed directly to the student, for Federal Perkins

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Loan, FSEOG, Federal Pell Grant, Academic Competitiveness Grant, and National SMART Grant program funds; and

(2) For FFEL and Direct Loan funds—

(i)(A) Return all FFEL and Direct Loan funds that were credited to the student's account at the institution; and

(B) Return the amount of payments made directly by or on behalf of the student to the institution, up to the total amount of the loan funds disbursed; and

(ii) For remaining amounts of FFEL or Direct Loan funds disbursed directly to the student, the institution is not responsible for returning the funds, but must immediately notify the lender or the Secretary, as appropriate, when it becomes aware that the student will not or has not begun attendance so that the lender or Secretary will issue a final demand letter to the borrower in accordance with §682.412 or §685.211, as appropriate.

(C) Notwithstanding paragraph (a)(1)(ii)(B) of this section, if an institution knew that a student would not begin attendance prior to disbursing FFEL or Direct Loan funds directly to the student (e.g., the student notified the institution that he or she would not attend, or the institution expelled the student), the institution must return those funds.

(b) The institution shall return those funds for which it is responsible under paragraph (a) of this section to the respective title IV, HEA programs as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance.

(c) For purposes of this section, the Secretary considers that a student has not begun attendance in a payment period or period of enrollment if the institution is unable to document the student's attendance at any class during the payment period or period of enrollment.

(d) In accordance with procedures established by the Secretary or FFEL Program lender, an institution returns title IV, HEA funds timely if—

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(1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;

(2) The institution initiates an electronic funds transfer (EFT) no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;

(3) The institution initiates an electronic transaction, no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance, that informs a FFEL lender to adjust the borrower's loan account for the amount returned; or

(4) The institution issues a check no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance. An institution does not satisfy this requirement if—

(i) The institution's records show that the check was issued more than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; or

(ii) The date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 45 days after the date that the institution becomes aware that the student will not or has not begun attendance.

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§ 682.604 Processing the borrower's loan proceeds and counseling borrowers.

(d)* * *

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(3) If a student does not begin attendance in the period of enrollment—

(i) Disbursed loan proceeds must be handled in accordance with §668.21.

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(ii) Undelivered loan funds held by the school must be handled in accordance with §668.167.

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§685.303 Processing loan proceeds.

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(b) * * *

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(3) If a student does not begin attendance in the period of enrollment, disbursed loan proceeds must be handled in accordance with §668.21.

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Issue #14: Single disbursement provision for Perkins and FSEOG.

Regulatory cite: §674.16(g) and §676.16(e)

Summary of Change for 3-14 to 3-16 meeting: Eliminates the provision in both programs.

Updated information since 3-14 to 3-16 meeting: None.

Tentative Agreement: Yes.

Change:

§674.16 Making and disbursing loans.

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paragraph (g) is deleted

§676.16 Payment of an FSEOG.

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paragraph (e) is deleted

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Issue #15: Post-withdrawal disbursement

Regulatory Cite: 34 CFR 668.22(a)(5)(ii)(B)(2)

Summary of Change for 3-14 to 3-16 meeting: Under this change, an institution would no longer be required to notify and obtain the student’s or parent’s permission prior to making a direct disbursement of any grant funds that make up a post-withdrawal disbursement.

Updated information since 3-14 to 3-16 meeting: Changed to make clear that an institution must perform actions as soon as possible, but no later than the deadline. Technical changes made to eliminate unnecessary words.

Tentative Agreement: Yes.

Change:

§668.22 Treatment of title IV funds when a student withdraws.

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(5) (i) A post-withdrawal disbursement must be made from available grant funds before available loan funds.

(ii) (A) If outstanding charges exist on the student's account, the institution may credit the student's account up to the amount of outstanding charges with all or a portion of any—

(1) Grant funds that make up the post-withdrawal disbursement in accordance with §668.164(d)(1) and (d)(2); and

(2) Loan funds that make up the post-withdrawal disbursement in accordance with §668.164(d)(1), (d)(2) and (d)(3) only after obtaining confirmation from the student or parent, in the case of a parent PLUS loan, that they still wish to have the loan funds disbursed in accordance with paragraph (a)(5)(iii) of this section.

(B)(1) The institution must disburse directly to a student as soon as possible any amount of a post-withdrawal disbursement of grant funds that is not credited to the student’s account, but no later than 30 days after the date of the institution’s determination that the student withdrew, as defined in paragraph (1)(3) of this section.

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(2) The institution must offer to disburse directly to a student, or parent in the case of a parent PLUS loan, any amount of a post-withdrawal disbursement of loan funds that is not credited to the student's account, to the student, or the parent in the case of a parent PLUS loan, in accordance with paragraph (a)(5)(iii) of this section.

(3) The institution must make a direct disbursement of any loan funds that make up the post-withdrawal disbursement only after obtaining the student's, or parent's in the case of a parent PLUS loan, confirmation that they still wish to have the loan funds disbursed in accordance with paragraph (a)(5)(iii).

(iii)(A) The institution must provide within 30 days of the date of the institution's determination that the student withdrew, as defined in paragraph (1)(3) of this section, a written notification to the student, or parent in the case of parent PLUS loan, that—

(1) Requests confirmation of any post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account in accordance with paragraph (a)(5)(ii)(A)(2), identifying the type and amount of those loan funds and explaining that a student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds;

(2) Requests confirmation of any post-withdrawal disbursement of loan funds that the student, or parent in the case of a parent PLUS loan, can receive as a direct disbursement, identifying the type and amount of these title IV funds and explaining that the student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds;

(3) Explains that a student, or parent in the case of a parent PLUS loan, who does not confirm that a post-withdrawal disbursement of loan funds may be credited to the student's account may not receive any of those loan funds as a direct disbursement unless the institution concurs;

(4) Explains the obligation of the student, or parent in the case of a parent PLUS loan, to repay any loan funds he or she chooses to have disbursed; and

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(5) Advises the student, or parent in the case of a parent PLUS loan, that no post-withdrawal disbursement of loan funds will be made, unless the institution chooses to make a post-withdrawal disbursement based on a late response in accordance with paragraph (a)(5)(iii)(C) of this section, if the student or parent in the case of a parent PLUS loan, does not respond within 14 days of the date that the institution sent the notification, or a later deadline set by the institution.

(B) The deadline for a student, or parent in the case of a parent PLUS loan, to accept a post-withdrawal disbursement under paragraph (a)(5)(iii)(A) must be the same for both a confirmation of a direct disbursement of the post-withdrawal disbursement of loan funds and a confirmation of a post-withdrawal disbursement of loan funds to be credited to the student's account;

(C) If the student, or parent in the case of a parent PLUS loan, submits a timely response that confirms that they wish to receive all or a portion of a direct disbursement of the post-withdrawal disbursement of loan funds, or confirms that a post-withdrawal disbursement of loan funds may be credited to the student's account, the institution must disburse the funds in the manner specified by the student, or parent in the case of a parent PLUS loan, as soon as possible, but no later than 120 days after the date of the institution's determination that the student withdrew, as defined in paragraph (1)(3) of this section.

(D) If a student, or parent in the case of a parent PLUS loan, submits a late response to the institution's notice requesting confirmation, the institution may make the post-withdrawal disbursement of loan funds as instructed by the student, or parent in the case of a parent PLUS loan (provided the institution disburses all the funds accepted by the student, or parent in the case of a parent PLUS loan), or decline to do so.

(E) If a student, or parent in the case of a parent PLUS loan, submits a late response to the institution and the institution does not choose to make the post-withdrawal disbursement of loan funds, the institution must inform the student, or parent in the case of a parent PLUS loan, in writing of the outcome of the post-withdrawal disbursement request.

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(F) If the student, or parent in the case of a parent PLUS loan, does not respond to the institution's notice, no portion of the post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account, nor any portion that would be disbursed directly to the student, or parent in the case of a parent PLUS loan, may be disbursed.

(iv) An institution must document in the student's file the result of any notification made in accordance with paragraph (a)(5)(iii) of this section of the student's right to cancel all or a portion of loan funds or of the student's right to accept or decline loan funds, and the final determination made concerning the disbursement.

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Issue #16: Calculate Pell Grant payments for programs with standard terms, but monthly starts

Regulatory Cite: §690.63

Summary of Change for 3-14 to 3-16 meeting: The change in §690.63 (a) (1) allows Pell Grant payments for programs with standard terms that have monthly starts to be calculated in the same manner as programs that have standard terms without monthly starts.

Updated information since 3-14 to 3-16 meeting: None.

Tentative Agreement: Yes

Change:

§690.63 Calculation of a Federal Pell Grant for a payment period.

* * * * *

(a)(1) Programs using standard terms with at least 30 weeks of instructional time. A student's Federal Pell Grant for a payment period is calculated under paragraphs (b) or (d) of this section if—

(i) The student is enrolled in an eligible program that—

(A) Measures progress in credit hours;

(B) Is offered in semesters, trimesters, or quarters;

(C) Requires the student to enroll for at least 12 credit hours in each term in the award year to qualify as a full-time student; and

(ii) The program uses an academic calendar that provides at least 30 weeks of instructional time in —

(A) Two semesters or trimesters in the fall through the following spring, or three quarters in the fall, winter, and spring, none of which overlaps any other term (including a summer term) in the program; or

(B) Any two semesters or trimesters, or any three quarters where —

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(1) The institution starts its terms for different cohorts of students on a periodic basis (e.g., monthly),

(2) The program is offered exclusively in semesters, trimesters, or quarters, and

(3) Students are not allowed to be enrolled simultaneously in overlapping terms and must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term.

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Issue #17: Pro ration for Pell Grant payments for programs using clock hours or credit hours without terms

Regulatory Cite: §690.63

Summary of Change for 3-14 to 3-16 meeting: The change in §690.63 (e) will revise the calculation of Pell Grant payments for programs using clock hours or credit hours without terms.

Updated information since 3-14 to 3-16 meeting: As discussed at the last meeting, we have changed the second fraction in §690.63 (e). And, we have deleted (as they are now unnecessary) proposed changes addressing programs without full-time students and self-paced programs. Further, we have made a change in §690.66 to have the calculation for correspondence study (without terms) track (where appropriate) the calculation for programs using clock hours or credit hours without terms.

Tentative Agreement: Yes

Change:

§690.63 Calculation of a Federal Pell Grant for a payment period.

* * * * *

(e) *Programs using credit hours without terms or clock hours.* The Federal Pell Grant for a payment period for a student in a program using credit hours without terms or using clock hours is calculated by—

(1) Determining the student's Scheduled Federal Pell Grant using the Payment Schedule; and

(2) Multiplying the amount determined under paragraph (e)(1) of this section by the lesser of—

(i)

The number of credit or clock hours in a payment
period

The number of credit or clock hours in the program's
academic year

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; or

(ii)

The number of weeks of instructional time in the payment
period

The number of weeks of instructional time in the program's
academic year

§ 690.66 Correspondence study.

(a) An institution calculates the Federal Pell Grant for a payment period for a student in a program of study offered by correspondence courses without terms, but not including any residential component by—

(1) Determining the student's annual award using the half-time Disbursement Schedule; and

(2) Multiplying the annual award determined from the Disbursement Schedule for a half-time student by the lesser of—

The number of credit hours in a payment period

The number of credit hours in the program's academic year

; or

(ii)

The number of weeks of instructional time in the payment
period

The number of weeks of instructional time in the program's
academic year

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Issue #18: Minimum period for certifying a loan (including certifying a loan for a transfer student)

Regulatory Cite: §§682.603 and 685.301

Summary of Change for 3-14 to 3-16 meeting: The changes in §§682.603 (f) (1) and 685.301 (a) (9) (i) allow a school to certify or originate a loan for a single term when the school has terms that are substantially equal in length and at least 9 weeks long; and also to certify or originate a loan for the remaining portion of the student’s annual loan limit to cover the portion of an academic year that the student has remaining when the student transfers to a new school, and then allow the school to certify or originate a full loan for the next full academic year.

Updated information since 3-14 to 3-16 meeting: In a similar fashion, we are proposing changes that would allow a school, after it had certified or originated a loan for the balance of a degree program that a student was completing, to certify or originate a loan for the remaining portion of the student’s annual loan limit to cover the portion of an academic year that the student has remaining when the student starts another degree program at the school, and then allow the school to certify or originate a full loan for the next full academic year.

Tentative Agreement: No

Change:

§682.603 Certification by a participating school in connection with a loan application.

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(f)(1) The minimum period of enrollment for which a school may certify a loan application is--

(i) At a school that measures academic progress in credit hours and uses a semester, trimester, or quarter system, or has terms that are substantially equal in length with no term less than 9 weeks in length, a single term (e.g., a semester or quarter), or

(ii) Except as provided in paragraph (f)(1)(ii)(C) or (D), at a school that measures academic progress in clock hours, or measures academic progress in credit hours but does not use a semester, trimester, or quarter system - and does not have terms that are substantially equal in length with no term less than 9 weeks in length, the lesser of-

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(A) The length of the student's program (or the remaining portion of that program if the student has less than the full program remaining) at the school; or

(B) The academic year as defined by the school in accordance with 34 CFR 668.3.

(C) For a student who transfers into a school with credit or clock hours from another school, and the prior school certified or originated a loan for a period of enrollment that overlaps the period of enrollment at the new school, the new school may certify a loan for the remaining portion of the program or academic year. In this case the school may certify a loan for an amount that does not exceed the remaining balance of the student's annual loan limit.

(D) For a student who completes a degree program at a school, where the student's last loan to complete that program had been for less than an academic year, and the student then begins a new degree program at the same school, the school may certify a loan for the remainder of the academic year. In this case the school may certify a loan for an amount that does not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program.

* * * * *

685.301 Origination of a loan by a Direct Loan school

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(a)(9)(i) The minimum period of enrollment for which a school may originate a Direct Loan application is--

(A) At a school that measures academic progress in credit hours and uses a semester, trimester, or quarter system, or has terms that are substantially equal in length with no term less than 9 weeks in length, a single academic term (e.g., a semester or quarter); or

(B) Except as provided in paragraph (a)(9)(i)(C) or (D), at a school that measures academic progress in clock hours, or

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measures academic progress in credit hours but does not use a semester, trimester, or quarter system and does not have terms that are substantially equal in length with no term less than 9 weeks in length, the lesser of-

(1) The length of the student's program (or the remaining portion of that program if the student has less than the full program remaining) at the school; or

(2) The academic year as defined by the school in accordance with 34 CFR 668.3.

(C) For a student who transfers into a school with credit or clock hours from another school, and the prior school originated or certified a loan for a period of enrollment that overlaps the period of enrollment at the new school, the new school may originate a loan for the remaining portion of the program or academic year. In this case the school may originate a loan for an amount that does not exceed the remaining balance of the student's annual loan limit.

(D) For a student who completes a degree program at a school, where the student's last loan to complete that program had been for less than an academic year, and the student then begins a new degree program at the same school, the school may originate a loan for the remainder of the academic year. In this case the school may originate a loan for an amount that does not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program.

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Issue #19: Minor prior-year expenses.

Regulatory cite: §668.164(d)(1)

Summary of Change for 3-14 to 3-16 meeting: Allows an institution to use without permission a student's current-year title IV funds to pay for prior-year charges, as long as those charges are less than \$100 and are for tuition and fees, room, or board.

Tentative Agreement: No

Update since 3-14 to 3-16 meeting:

Change:

§668.164 Disbursing funds.

* * * * *

(d) *Crediting a student's account at the institution.*
An institution may use title IV, HEA program funds to credit a student's account at the institution to satisfy—

(1) Current year charges for—

(i) Tuition and fees;

(ii) Board, if the student contracts with the institution for board;

(iii) Room, if the student contracts with the institution for room; and

(iv) If the institution obtains the student's or parent's authorization under §668.165(b), other educationally-related charges incurred by the student at the institution.

(2) Prior award year charges for a total of not more than \$200 for—

(i) Tuition and fees, room or board; and

(ii) If the institution obtains the student's or parent's authorization under §668.165(b), other educationally-related charges incurred by the student at the institution.