



LoanNotes

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Next Month**

Ability To Benefit
(Part 2)



American Education Services

Compliance Spotlight: Addressing Students that Never Enrolled or Failed to Begin Attendance

The 2010-2011 Federal Student Aid (FSA) Handbook (Volume 5, Chapter 1) provides guidance on the treatment of Title IV funds disbursed for a student who does not begin attendance. **A student is considered to have not attended if the school cannot document the student's attendance in any class.**

In addition, the FSA Handbook provides guidance on when it is appropriate for a school to request that the U.S. Department of Education (ED) send a 30-day demand letter to a student in an effort to recover any outstanding Direct Loan funds disbursed directly to a student who did not begin attendance.

NOTE: The information provided below addresses only one aspect of what may constitute an ineligible borrower and is specific to Direct Loan funds.

» SCHOOL REQUIREMENTS

Direct Loan Program Funds

If a school disburses Direct Loan funds and the student subsequently does not begin attendance, **the school must return all of the Direct Loan funds that were credited to the student's account for the payment period or period of enrollment in which the student did not attend classes.** When resolving a never enrolled situation, the school must first refund the entire amount of the Title IV funds to ED prior to refunding any amount to the student (i.e. the amount of payments made directly by or on behalf of the student to the institution for that payment period or period of enrollment).

In addition, a school is required to return any Direct Loan funds it disbursed directly to a student if the school knew prior to disbursing the funds that the student would not begin attendance.

NSLDS

Schools should report to NSLDS when a student does not attend for a payment period or period of enrollment. Schools should also report to NSLDS a student's withdrawal or changes in a student's enrollment status.

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Addressing Students that Never Enrolled or Failed to Begin Attendance

Timeline for Returning Funds

A school must return to ED funds disbursed to a student who did not begin attendance as soon as possible, but no later than 30 days after the date the school becomes aware that the student will not or did not begin attendance. For a school that does not take attendance, but reports enrollment statuses on a census date to an outside agency, state, or local jurisdiction, ED expects the school to return the funds for a student who will not or did not begin attendance within 30 days of the census date.

30-Day Demand Letter

The school is required to notify ED of any remaining Direct Loan funds that were disbursed directly to the student which are still outstanding. ED will issue a 30-day demand letter to students who never began attendance in any class for the period of enrollment for which Title IV funds were issued. A school should not request that ED send this letter when a student changes enrollment status from at least half time to less than half time or if they withdraw after attending at least one day of class.

Return of Title IV Funds

If the student withdraws after attending class for any length of time, the Return of Title IV Funds calculation must be used to determine the amount of unearned funds the school must return to ED. The school must return all unearned funds to the Department, including any amount the school disbursed to the student. It will be the school's responsibility to recover any funds that were previously disbursed to the student, but not earned due to his or her withdrawal. In this situation, ED will not send a 30-day demand letter to the student to recover any outstanding funds.

The following regulatory cites may be referenced in addition to the FSA Handbook for additional guidance on these topics:

- 34 CFR §668.21 & §668.22
- 34 CFR §668.167
- 34 CFR §690.78 (b)(1)&(2)
- 34 CFR §674.16 (f)(1)&(2)
- 34 CFR §676.16 (d)(1)&(2)
- 34 CFR §682.412
- 34 CFR §685.211 (e)



Program Integrity- Satisfactory Academic Progress

In the Federal Register, dated October 29, 2010, the U.S. Department of Education (ED) published Program Integrity Issues; Final Rule (34 CFR Parts 600, 602, 603, 668, 682, 685, 686, 690, and 691). As part of the final rules, ED published satisfactory academic progress (SAP) rules and regulations, effective July 1, 2011.

A school must develop a SAP policy for determining whether an otherwise eligible student is making satisfactory academic progress in his educational program and may receive financial assistance under Title IV, HEA programs. The Secretary considers a school's policy to be reasonable if it meets all of the standards discussed within this article.

The policy must be at least as strict as the policy the school applies to students not receiving Title IV aid. Schools are required to establish, publish, and provide a consistent application of their SAP standards to all students within categories of students, such as: full-time, part-time, undergraduate, and graduate students and educational programs established by the school.



REQUIREMENTS

Evaluation of Progress

The policy must provide that a student's progress is evaluated at the end of each payment period if the educational program is one academic year or shorter in length. For all other educational programs, evaluation of the student's progress will take place at the end of each payment period or at least annually to correspond with the end of the payment period.

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Program Integrity- Satisfactory Academic Progress

Grade Point Average (GPA) and Pace

The policy must specify the grade point average (GPA) that a student must achieve at each evaluation to meet SAP. If GPA is not an appropriate qualitative measure, then the policy must provide a comparable assessment to measure against the norm. If a student is enrolled in an academic program that is more than two years in length, the policy must specify that at the end of the second academic term, the student must have a GPA of at least a "C" or its equivalent, or have academic standing that is consistent with the school's graduation requirements.

In addition, the policy must state the pace at which the student must progress through his or her program of study to ensure completion within the maximum timeframe, and provides for the measurement of the student's progress at the end of each evaluation. The final rules define maximum timeframe as follows:

- For an undergraduate program measured in credit hours, the maximum timeframe is a period of no longer than 150 percent of the published length of the educational program, as measured in credit hours.
- For an undergraduate program measured in clock hours, the maximum timeframe is a period of no longer than 150 percent of the published length of the educational program, as measured by the cumulative number of clock hours the student is required to complete and expressed in calendar time.
- For a graduate program, the maximum timeframe is a period defined by the institution that is based on the length of the educational program.

Schools that Evaluate SAP Annually or Less Frequently Than at the End of Each Payment Period

A school that evaluates SAP annually or less frequently than at the end of each payment period does not have the option to place a student on a financial aid warning for one payment period. However, a school that evaluates SAP in this fashion may place a student on financial aid probation, as described later in this article, and disburse Title IV funds to the student after the student successfully appeals the school's determination that the student is not meeting SAP requirements.

Calculating Pace

A school calculates the pace by which the student is progressing by determining the cumulative number of hours the student has successfully completed divided by the number of cumulative hours the student has attempted. The school is not required to include remedial courses in this calculation. However, credits accepted from other schools must be counted in the calculation of pace as both attempted and completed hours. The policy must describe how incompletes, withdrawals, repetition of courses, or transfers of credit from other institutions affect the student's GPA and pace of completion.

Except in situations when a student is placed on financial aid warning or financial aid probation as explained later in this article, a student who has not achieved the required GPA, or is not completing the program at the required pace, is no longer eligible to receive Title IV funds.

Schools That Evaluate SAP at the End of Each Payment Period

A school that evaluates SAP at the end of each payment period and determines that a student has not met the SAP standards under their policy may still disburse Title IV funds to the student under the following provisions.

For the payment period following the period in which the student did not meet the institution's SAP standards, the institution may-

- place the student on financial aid warning, as described later in this article, and disburse Title IV funds; or
- place the student directly on financial aid probation, as described later in this article, and disburse Title IV funds to the student after the student successfully appeals the school's determination that the student is not meeting SAP requirements.

For one payment period following a payment period in which a student was on financial aid warning, a school may place the student on financial aid probation and may still disburse Title IV funds to the student.

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Program Integrity- Satisfactory Academic Progress

Financial Aid Warning and Financial Aid Probation

Final rules define these terms as follows. If a school places a student on financial aid warning or on financial aid probation, the policy must include a description of these statuses:

- ✓ **Financial aid warning** - a status assigned to a student who fails to make satisfactory academic progress at an institution that evaluates academic progress at the end of each payment period. A student may be placed on financial aid warning and may continue to receive Title IV funds for one subsequent payment period. Financial aid warning may be assigned without appeal or any other action by the student. However, the student must be notified of the school's action.
- ✓ **Financial Aid Probation** - a status assigned by an institution to a student who fails to make satisfactory academic progress and who has successfully appealed and has had eligibility for aid reinstated. A student who submits a successful appeal, as described to the right, and is placed on financial aid probation may receive Title IV funds for one subsequent payment period. The school may require the student to meet certain terms and conditions while on financial aid probation, such as taking a reduced course load or enrolling in specific courses. The student must meet the school's SAP standards at the end of this payment period or meet the requirements of an academic plan developed by the school that, if followed, will ensure that the student is able to meet the school's SAP standards by a specific point in time.

A student on financial aid probation for one payment period may not receive Title IV funds for a subsequent payment period unless the student is complying with SAP

requirements at the end of that payment period or the school determines that the student is meeting the requirements of the academic plan.

Appeals

If the school allows a student to appeal a determination that the student is not making satisfactory academic progress, the policy must include each of the following components:

- What the student must do to reestablish eligibility for Title IV aid.
- The basis on which a student may file an appeal (e.g., death of a relative, injury or illness of the student, or other special circumstances).
- Information the student must submit to explain why he or she failed to make satisfactory academic progress and what has changed in the student's situation that will allow the student to comply with SAP requirements at the next evaluation.

If a school does not permit students to appeal a determination by the institution that the student is not achieving satisfactory academic progress, the policy must state how the student may reestablish his or her eligibility to receive Title IV funds.

Notification Requirement

The policy must provide for the notification to students of the results of a SAP evaluation that impacts the student's eligibility to receive Title IV funds.

Transcript Date: 4/09/03
Page 1 of 2
Name: Dean French
ID number: 000000006
Social Security Number: 000-00-0000
Date of Birth: 9/03/1967

Undergraduate
Entry Date: 8/26/97
Degree 1: Bachelor of Arts
Major 1: History
Concentration 1: None
Minor 1:
Certification 1:
Degree Awarded: 8/12/01

Degree 2: Bachelor of Arts
Major 2: Theology
Concentration 2: None
Minor 2:
Certification 2:
Degree Awarded:

DEPT	CRS	TITLE	TYP	GRD	ERNED	GRDED	QP	GPA	DEPT	CRS	TITLE	TYP	GRD	ERNED	GRDED	QP	GPA			
1997-1998	Fall		LT	B+	3.00	3.00	9.90		FRN	202	A	Intrm	French	II						
BIO	106	W	Survey	Biology	LT	B	3.00	3.00	9.00	HST	208	B	US	History	II					
ENG	335	Renaissance	LT	A	3.00	3.00	12.00		HST	329	20th	Cen	Europe							
FRN	101	A	Elem	French	I	LT	A	3.00	3.00	12.00	THE	212	A	Prin	Bib	Stdies				
HST	105	A	Civilization	I	LT	A	3.00	3.00	12.00	THE	213	N	Theol	of	Christ					
PSY	101	Prin	Psych	I	LT	B-	3.00	3.00	8.10	THE	436	A	Cath&E	Orthodox						
Timothy Project Leadership Seminar completed 12/97																				
DEAN'S LIST																				
													TERM:	15.00	15.00	51.00	3.400			
													CAREER:	15.00	15.00	51.00	3.400			
1999-2000 Fall																				
													LT	C	3.00	3.00	6.00			
													LT	A	3.00	3.00	12.00			
													LT	C+	3.00	3.00	6.90			
													LT	C	3.00	3.00	9.00			
													TERM:	68.00	68.00	208.10	3.116			
													CAREER:	68.00	68.00	208.10	3.060			

Program Integrity- Repeated Coursework

In the Federal Register, dated October 29, 2010, the U.S. Department of Education (ED) published Program Integrity Issues; Final Rule (34 CFR Parts 600, 602, 603, 668, 682, 685, 686, 690, and 691). **Included in the final rules is guidance on repeated coursework as it directly relates to the definition of full-time student status. This guidance is effective July 1, 2011.**

Definition of Full-time Student

ED amended the definition of “full-time student” in §668.2 to further clarify the criteria that must be met to classify a student as full time. A full-time student is one enrolled and carrying a full-time academic workload, as determined by the school, under a standard applicable to all students enrolled in a particular educational program. The student’s workload can include a combination of courses, work, research, or special studies that the school considers sufficient for classifying the student as full time including for a term-based program.

Repeated Coursework

A school may include any repeated coursework previously passed by the student in his or her enrollment status one time. However, a school may not include in the student’s enrollment status any coursework the student previously passed, but is required to retake due to failing other coursework.

Payment of Repeated Coursework

A school may allow a student to receive Title IV funds to retake previously passed coursework one time and count the coursework in the student’s enrollment status (e.g., the student is retaking the coursework in an attempt to meet an academic standard, such as a better grade).

NOTE: The student can only receive Title IV funds for this course if he or she has an enrollment status of at least half time.

However, a student may not receive Title IV funds to retake previously passed coursework if the student is required to retake the course due to the student failing other coursework. Simply put, if the student is enrolled in four classes in the fall semester and fails one of those courses, the school may require the student to repeat the previously passed three courses along with the course the student failed. If the student retakes the four courses in the spring, only the course the student failed may be counted toward the student’s enrollment status.

Program Integrity- Ability to Benefit (Part 1)

The following article is Part 1 of a series of three articles discussing the regulations governing ability to benefit (ATB). The goal of this series is to review ATB regulations as a whole, including the amendments made as a result of the Program Integrity Issues; Final Rules (34 CFR Parts 600, 602, 603, 668, 682, 685, 686, 690, and 691) published in the Federal Register dated October 29, 2010, and effective July 1, 2011.

Definition of Ability to Benefit

ED established ATB criteria to determine Title IV program eligibility for students who are not high school graduates or its equivalent. Students can demonstrate that they have the “ability to benefit” from the education or training being offered by doing one of the following:

- Successfully complete six credit hours (or its equivalent) to count toward a degree or certificate offered by a school, or
- Pass an ATB test administered at either (a) an assessment center by a certified test administrator; or (b) at a secure location by an independent test administrator.

This article discusses both options in detail, including the amendments made to the ATB regulations in accordance with the Final Rules.

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Program Integrity- Ability to Benefit (Part 1)



Completion of Six Credit Hours or its Equivalent

The Final Rule expands the ATB regulations by providing that a student is eligible to receive Title IV funds after the successful completion of six credits of college work, or an equivalent amount of work, toward an applicable degree or certificate program offered by the school. (While the statute does not require that the coursework be applicable to an eligible program offered by the school, ED reminds schools that the intent of this option is to allow an otherwise ineligible borrower to earn Title IV funds while working to earn a certificate or degree.) ED considers the equivalent amount of coursework to be one of the following:

- 6 semester hours
- 6 quarter hours
- 6 trimester hours
- 225 clock hours

A student who receives a failing grade or a clock-hour student who does not successfully complete the required 225 clock hours has not successfully completed the required six credit hours (or its equivalent). A student who successfully completes the six credits (or its equivalent) is eligible to receive Title IV funds after the end of the payment period during which the student completed the coursework.

Ability to Benefit Test

If your school does not have an ATB test in place and you wish to utilize this option, contact ED for information regarding tests that are already approved. ED maintains record of all approved ATB tests.

ED has defined the term “test” in §668.142 of the regulations as, “a standardized test, assessment or instrument that has formal protocols on how it is to be administered in order to be valid. Protocols include, for example:

- The use of parallel, equated forms
- Testing conditions
- Time allowed for the test
- Standardized scoring

Tests are not limited to traditional paper and pencil (or computer-administered) instruments for which forms are constructed prior to administration to examinees. Tests may also include adaptive instruments that use computerized algorithms for selecting and administering items in real time; however, for such instruments, the size of the item pool and the method of item selection must ensure negligible overlap in items across retests.” The ATB test may be administered by either a certified test administrator at an assessment center or by an independent test administrator at a secure location.

Look for Part 2 of our discussion on Ability to Benefit in the April edition of Loan Notes.

2010-2011 Application and Verification Guide Available

Over the past several months, the U.S. Department of Education (ED) has published and posted on [IFAP](#) - as of the publication date of this issue of Loan Notes - the following volumes of the 2010-2011 Federal Student Aid Handbook:

- Application and Verification Guide (AVG)
- Volume 1 - Student Eligibility
- Volume 3 - Calculating Awards & Packaging [2010-2011 Federal Student Aid Handbook]
- Volume 4 - Processing Aid and Managing Federal Student Aid Funds
- Volume 5 - Overawards, Overpayments, and Withdrawal Calculations

The screenshot shows the IFAP website interface. At the top, there is a navigation bar with links for Home, Getting Started, What's New, Calendar, iLibrary (highlighted), Training, Help, and Feedback. Below this is a search bar with a "GO" button and a link to "Advanced Search". The main content area is titled "iLibrary - Federal Student Aid Handbook" and features a large image of the "2010-2011 FEDERAL STUDENT AID HANDBOOK" cover. To the right of the cover, there is a description of the handbook and links to pre-order information and previous editions. Below the description is a "Handbook Search" section with a search input field and radio buttons for "Latest Version" (selected) and "All". At the bottom, there is a section titled "2010-2011 Federal Student Aid Handbook" with a sub-section "Individual Volumes:" containing a list of links to each volume. A red circle highlights this list. The sidebar on the left contains various navigation links under "My IFAP".

2010-2011 Federal Student Aid Handbook

The Federal Student Aid Handbook consists of the Application and Verification Guide and six numbered Volumes. Each Volume is posted on the Web after being reviewed and approved by the appropriate offices in Federal Student Aid and the Office of Postsecondary Education.

You may pre-order print copies of the 2010-2011 FSA Handbook from the [FSAPubs Web site](#) (go to IFAP>Resource Links>FSAPubs.gov). Volumes are bundled for mailing purposes; print copies will be mailed after the last Volume of the Handbook has been approved and posted to the Information for Financial Aid Professionals (IFAP) Web site.

Questions and suggestions concerning the Handbook can be sent to the [Publications Team](#) in the Program Communications Division.

[2009-2010 Federal Student Aid Handbook](#)
[2008-2009 Federal Student Aid Handbook](#)
[Archived](#)

Handbook Search

To search within the Federal Student Aid Handbook, please enter your desired search words, select "Latest Version" or "All", and click the "Submit" button.

Search: Latest Version All

2010-2011 Federal Student Aid Handbook

Individual Volumes:

- [Application and Verification Guide](#)
- [Volume 1 - Student Eligibility](#)
- [Volume 3 - Calculating Awards & Packaging](#)
- [Volume 4 - Processing Aid and Managing Federal Student Aid Funds](#)
- [Volume 5 - Overawards, Overpayments, and Withdrawal Calculations](#)

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2010-2011 Application and Verification Guide Available

Beginning with the AVG, we will review the policy changes and clarifications identified in the 2010-2011 edition of the Handbook. The following chart details the changes within the AVG:

PAGE	CHANGES MADE
AVG-11	<p>PERMANENT MAILING ADDRESS Effective for 2010-2011, ED clarified that, in addition to an incarcerated student, a homeless youth may also list the school's address as their own.</p>
AVG-14	<p>COMBAT PAY ED clarified that since combat pay is not counted as untaxed income and is removed from the AGI when it is taxable, it should not be included in the income earned from work.</p>
AVG-17 to AVG-20	<p>WHOLE LIFE INSURANCE ED clarified that the cash value or equity of a whole-life insurance policy, though not reported as an asset, would count as income. The full amount of the distribution would be reported, whether it is a lump-sum or an annual distribution, and such a distribution will count as taxable or untaxed income, as appropriate.</p>
AVG-20	<p>AMERICAN OPPORTUNITY CREDIT Beginning with 2009 tax returns, the American Opportunity Credit will replace the Hope credit for most students. Part of this tax credit can be refundable -- payable to tax filers even if they do not owe any federal income tax. The nonrefundable portion appears on the same lines of the tax return and the FAFSA as the Hope and Lifetime Learning credits. The refundable portion appears on line 66 of the 1040 form and line 43 of the 1040A. It does not appear on the lines of the FAFSA for the education tax credits, nor does it count as untaxed income.</p> <p>EMPLOYER PROVIDED REIMBURSEMENTS AND STIPENDS Employer provided benefits that assist with education costs by the paying of a stipend or by reimbursing employees for classes taken, will count as estimated financial assistance (or reduce the cost of attendance) even if they are not received until the end of the class and are contingent on earning a minimum grade. Any taxable portion received in the prior year and appearing in the AGI is entered in question 44 or 92.</p>
AVG-21	<p>FIRST-TIME HOMEBUYER TAX CREDIT ED clarified that, unlike other credits, the first-time homebuyer tax credit was not explicitly excluded by law from the need analysis; therefore, it counts as untaxed income.</p> <p>COOPERATIVE EDUCATION PROGRAM EARNINGS. The adoption of the Higher Education Opportunity Act (HEOA) excluded as income earnings from a college co-op education program. Students should use his or her W-2s or other records received for these earnings. This change was effective July 1, 2010.</p>
AVG-22	<p>UNEMPLOYMENT BENEFITS While ED states in its 2010-2011 AVG Guide (issued June 2010) that the first \$2,400 of unemployment benefits are tax-free and may be reported in the "other untaxed income" line of questions 45 and 93 of the FAFSA, Congress failed to extend this benefit at the end of 2010. Therefore, no amount of unemployment benefits may be considered tax-free or included under "other untaxable income" when completing the FAFSA.</p> <p>TIPS ON REPORTING BENEFITS The benefits an individual who is included in the household size receives in his or her own name do not count as income unless that person is an adult.</p>

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2010-2011 Application and Verification Guide Available

PAGE	CHANGES MADE
AVG-23	<p>VETERANS' EDUCATION BENEFITS These benefits are no longer counted as estimated financial assistance by the HEOA.</p> <p>ON-BASE HOUSING/BASIC HOUSING ALLOWANCE The value of on-base housing or the basic allowance for housing (BAH) for students or parents of dependent students who are in the military has been excluded from untaxed income by the HEOA; however, the basic allowance for subsistence, or BAS, remains untaxed income.</p>
AVG-28	<p>LEGAL GUARDIANSHIP For 2010-2011, ED clarified that students in legal guardianship to their parents are not considered independent and would be expected to answer "No" to FAFSA question 55.</p>
AVG-42 to AVG-43	<p>DEPARTMENT OF DEFENSE MATCH AND IRAQ AND AFGHANISTAN SERVICE GRANT ED added a section clarifying that schools must reduce the EFC to zero for those students with a parent or guardian who was a member of the U.S. Armed Forces and who died as a result of service in Iraq or Afghanistan after September 11, 2001.</p>
AVG-88	<p>TAX FILING REQUIREMENTS FOR IMMIGRANTS Under the section on "Non-filers," ED added guidance stipulating that immigrants must meet normal tax-filing obligations.</p>

American Education Services (AES) was created to guarantee and service a variety of Federal Family Education Loan Program (FFELP) and private student loan products for lending partners throughout the nation. AES is a national leader in providing quality customer service to millions of student loan borrowers through its highly-trained and experienced customer service representatives. For more information, visit aesSuccess.org.

Pennsylvania Higher Education Assistance Agency conducts its student loan servicing activities nationally as American Education Services (AES) and FedLoan Servicing.



American Education Services

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