Common Manual

Policy Change Announcement

April 19, 2012

These policy changes modify the April 2012 edition of the Common Manual
Batch 186: Proposals 1264-1271

Below are the latest policy changes approved by the Common Manual Governing Board on April 19, 2012. Please note the effective dates for these approved policy changes. These changes will appear in the Manual’s next annual update. These changes will also be incorporated into the Integrated Common Manual (ICM), available on the AES website.

Gainful Employment Program Debt Measures
The Common Manual has been revised to include gainful employment program debt measures. A gainful employment (GE) program must meet minimum standards to demonstrate that it sufficiently prepares its students for gainful employment in a recognized occupation. GE programs are evaluated annually based on a fiscal year (FY) from October 1 through September 30 designated by the calendar year in which it ends. For example, FY 2013 is from October 1, 2012 to September 30, 2013.

The Department evaluates a GE program using two debt measures—the loan repayment rate and debt-to-earnings ratios. A program must meet at least one of the three following thresholds or it will be a failing program:

- The program’s annual loan repayment rate is 35% or greater.
- The program’s annual loan payment is 30% or less of discretionary income.
- The program’s annual loan payment is 12% or less of average annual earnings.

A program is considered satisfactory if either of the following applies:

- The data needed to determine whether a program satisfies these minimum standards are not available to the Department.
- There are 30 or fewer borrowers whose loans entered repayment or 30 or fewer students who completed the program in the most recent FY that is evaluated. (See Debt-to-Earnings Ratios.)

The Manual has also been revised to include a description of how the Department calculates and disseminates the draft and final measures and offers a school the ability to correct certain data. Further, the Manual has been revised to include how a school may offer alternative earnings data if a program is deemed a failing program.

Affected Sections: 4.1.C Maintaining Eligibility
Effective Date: Gainful employment program debt measures implemented by a school on or after July 1, 2012.
Basis: Federal Register published on June 13, 2011; §668.7(a) through (g).
Policy Information: 1264/Batch 186
Guarantor Comments: None.

Gainful Employment Program Debt Warnings and Sanctions
The Common Manual has been revised to include gainful employment debt measure warnings and sanctions for
programs that fail the debt measure minimum standards for a single and second year. The Manual has also been updated with notifications that a school must provide to current and prospective students for the first and second year failing programs. Further, the Manual has been revised to include restrictions that are placed on ineligible and voluntarily discontinued failing programs in regards to reestablishing Title IV program eligibility.

**Affected Sections:** 4.1.C Maintaining Eligibility  
**Effective Date:** Gainful employment debt warnings on or after July 1, 2012.  
**Basis:** Federal Register published on June 13, 2011; §668.7(h) through (l); §668.26(d)(1) and (3).  
**Policy Information:** 1265/Batch 186  
**Guarantor Comments:** None.

**Home-Schooled Students and Title IV Eligibility**  
The Common Manual has been revised to clarify that some states issue a secondary school completion credential to home-schooled students. If this is the case in the state in which the student was home schooled, the student must obtain this credential in order to qualify for Title IV aid. If a school’s policy permits students to self-certify completion of a secondary school education, the school may permit the home-schooled student to self-certify that he or she received this state-issued credential.

**Affected Sections:** 5.1.B Student Eligibility Requirements  
**Effective Date:** Publication date of the 02-03 FSA Handbook, Volume 1.  
**For provisions that permit a home-schooled student to self-certify that he or she received a state-issued secondary school completion credential for home-schooled students, publication date of the 03-04 FSA Handbook, Volume 1.**  
**Basis:** 02-03 FSA Handbook, Volume 1, Chapter 1, p. 1-4; 03-04 FSA Handbook, Volume 1, Chapter 1, p. 1-4.  
**Policy Information:** 1266/Batch 186  
**Guarantor Comments:** None.

**Ability-to-Benefit Provisions**  
The Common Manual is updated to implement revised ability-to-benefit provisions. The school may no longer award Title IV funds to students who have not enrolled in an eligible program of study prior to July 1, 2012, and who do not have a high school diploma or its equivalent.

**Affected Sections:** 5.1.B Student Eligibility Requirements  
5.10 Required High School Diploma or Equivalent  
5.11 Ability-to-Benefit Provisions  
5.11.A Testing ATB Students with Special Needs  
5.11.B School Liability in ATB Testing  
**Effective Date:** Students first enrolled in a program of study on or after July 1, 2012, who do not have a high school diploma or its equivalent.  
**Basis:** H.R. 2005 Amendment to HEA, Section 484(d).  
**Policy Information:** 1267/Batch 186  
**Guarantor Comments:** None.

**Changes to Verification Requirements**  
The Common Manual has been revised to include updated information regarding the verification process. The revised text notes that the Department will publish annually a potentially changing set of data elements that are subject to verification each award year, and that it may revise applicable verification documentation requirements. Revised policy also states that the school may choose to originate Title IV assistance prior to completing the verification process but may not disburse subsidized funds prior to the completion of verification. Revised policy also more clearly states that borrowers who are eligible to receive only unsubsidized Stafford and/or PLUS Loan funds are not subject to verification requirements. Revised policy lists revised verification exemptions.

**Affected Sections:** 6.6.A Performing Verification Requirements  
**Effective Date:** Award year 2012-2013.  
**Basis:** Federal Register published October 29, 2010, pp. 66954-66958; Dear Colleague
Completing Verification before Professional Judgment
The Common Manual has been revised to include the requirement that the school complete any federally-mandated verification before the school uses professional judgment to adjust the student’s budget components.

Affected Sections: 6.6.B Use of Professional Judgment to Determine EFC
Effective Date: Award year 2012-2013.
Policy Information: 1269/Batch 186
Guarantor Comments: None.

Academic Competitiveness and National SMART Grants
The Common Manual has been revised to delete any reference to the Academic Competitiveness and National SMART grant programs from text that describes a school’s responsibilities to calculate a return of Title IV funds or process a return of unearned Title IV funds. Glossary definitions for these programs have been removed.

Affected Sections: 9.5.A Return Amounts for the Title IV Grant and Loan Programs 9.5.B Processing Returned Funds
Appendix G Effective Date: Award year 2011-2012.
Basis: HEA §401A(e); §668.19(a)(3); Federal Register dated June 23, 2008; Dear Colleague Letter (DCL) P-11-02.
Policy Information: 1270/Batch 186
Guarantor Comments: None.

Disaster Relief Waivers
The Common Manual has been revised to include updated information regarding the Department’s waiver of statutory and regulatory requirements for Title IV participants affected by a major disaster. The revisions also include clarification that if a lender grants an administrative forbearance to a borrower adversely affected by a disaster, that the borrower must have the opportunity to decline the forbearance.

Affected Sections: 11.21.M Natural Disasters, Local or National Emergency, or Military Mobilization
Appendix G Effective Date: August 23, 2010.
Basis: Dear Colleague Letter (DCL) GEN-10-16.
Policy Information: 1271/Batch 186
Guarantor Comments: None.