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Verification Process, Cost of Attendance & Satisfactory Academic Progress

United States Department of Education
Washington, D.C. 20202
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OFFICE OF POSTSECONDARY EDUCATION

SUMMARY: This letter provides information concerning the verification process for the 1994-95 award year, the requirement for institutions to include certain loan fees in the calculation of cost of attendance, and guidance on the implementation of revised satisfactory academic progress standards.

Dear Colleague:

This letter provides the student financial aid community with updated information on changes to the 30 percent verification limitation, clarification regarding requirements for the verification of Social Security benefits, changed rules for the calculation of cost of attendance to account for loan fees, and implementation guidance on satisfactory academic progress standards.

CHANGES TO THE 30 PERCENT VERIFICATION LIMITATION

The Higher Education Technical Amendments of 1993 (P. L. 103-208) (Technical Amendments) repealed the statutory 30 percent verification limitation which prevented the Secretary from requiring institutions to verify more than 30 percent of otherwise selected records. The repeal of the 30 percent limitation from the law does not require institutions to verify 100 percent of all applicants. However, it does require the institution to verify all of the applicants selected by the Secretary for verification regardless of what percentage of the total applications received by the institution are represented by those selected for verification. We do not expect the national percentage of selected applicants to change very much from the 1993-94 processing year to the 1994-95 year.

In order to minimize the impact upon institutions of the change in the law, the Department will continue to allow institutions to limit verification to 30 percent of the institution's applicant pool for applications processed by the Central Processing System (CPS) prior to July 1, 1994, the effective date of the April 28, 1994 final rule which implemented the statutory provision.

However, all applications, both initial and corrected, processed by the CPS on or after July 1, 1994 which are identified on the output document as needing verification must be verified. Institutions may rely upon the date printed in the upper right corner of the Student Aid Report (SAR) or the "transaction processed date" field (positions 901 - 906) on Electronic SAR (ESAR) records to determine when the CPS processed the application.

The Department published a Notice of Proposed Rulemaking (NPRM) in the Federal Register on April 28, 1994, regarding the verification limitation. NPRM comments were due by May 31, 1994. Once the Department has reviewed and analyzed all comments regarding this NPRM, final regulations on this issue will be published in the Federal Register. If the final regulations are published by December 1, 1994, any new verification limitations contained in the regulations will be effective only for applications processed beginning with the 1995-96 award year. All selected applications for the 1994-95 award year that are processed after July 1, 1994 must be verified even though they may be processed after December 1, 1994.

Of course, institutions that participate in the Institutional Quality Assurance Program will continue to be exempted from certain verification requirements.

SOCIAL SECURITY BENEFITS

A question recently arose with regard to verification requirements of Social Security benefits. The Department does not require an institution to verify receipt of Social Security benefits simply because there is an amount indicated on the application (see §668.56 of the April 28, 1994 final regulations). Documentation is only required if the institution has reason to believe that the amount reported is incorrect or that the student or family is receiving Social Security benefits and no amount is reported (see §668.57).

CALCULATION OF COST OF ATTENDANCE

We have also received several questions concerning the requirement in Section 472 of the Higher Education Act, as amended, that requires an institution to include in the cost of attendance an allowance for the actual or average cost of any loan fee, origination fee, or insurance premium charged. The mandatory inclusion of this component in the cost of attendance calculation was added by the Technical Amendments. Prior to this statutory change, institutions were allowed, but not required, to include these fees in the calculation of cost of attendance. The law now requires the institution to include such fees if the student (or parent borrowing on behalf of the student) actually is receiving a loan which includes fees or premiums.

Institutions should have made all reasonable efforts to include these costs beginning on December 20, 1993, the effective date of enactment of the Technical Amendments. The Department will monitor compliance with this provision beginning with cost of attendance calculations made on or after the date an institution receives this Dear Colleague Letter or October 15, 1994, whichever is earlier.

Institutions may recalculate the cost of attendance for any student whose original calculation did not include the required loan fees. Institutions must recalculate if requested to do so by a student whose original cost of attendance did not include the required loan fees.

As stated earlier the actual fee amounts charged the borrower or an average amount charged all borrowers. If the actual amount is used, schools need not continue to recalculate the cost of attendance for the small increase in the fee which results from the increase in loan eligibility caused by the original inclusion of loan fees in the cost of attendance.

One method of calculating an average fee is to determine the average loan amount from the prior academic year or from the current year if a sufficient number of loans have been processed to calculate a reasonable average. The current normal or most frequent fee percentage (usually 4 percent) can then be applied to the calculated average loan to determine an average fee amount for inclusion in the cost of attendance. It would be prudent for schools to calculate one average for undergraduates and one for graduate students so as not to overly bias the average in one direction or the other.

Institutions may use either the actual or the calculated average for any particular student and may change from one to the other if doing so would be in the best interests of the student.

Keep in mind that the inclusion of loan fees in the cost of attendance and the effect this may have on a student's eligibility for loans is not loan specific. That is, if the calculation of the amount of the loan fees included fees for both a subsidized and an unsubsidized Stafford Loan, the addition of the total fees to the cost of attendance will result in an increase in the amount of the subsidized loan by the full amount of the fees. As an example, consider a student who was originally determined to have eligibility for a \$2,000 subsidized loan and a \$3,500 unsubsidized loan. Using the average 4 percent loan fee, \$220 would be added to the cost of attendance ($\$2,000 + \$3,500 = \$5,500 \times .04 = \220), thus increasing the student's financial need and eligibility for interest subsidy. The student would now be eligible for \$2,220 in the subsidized loan while the unsubsidized eligibility would be \$3,280.

SATISFACTORY ACADEMIC PROGRESS

Section 668.16(e) of the final regulations governing the Student Assistance General Provisions (published in the Federal Register on April 29, 1994) requires institutions to establish, publish, and apply reasonable standards for measuring the satisfactory academic progress of otherwise eligible students. These regulations became effective on July 1, 1994. Therefore, the provisions contained in §668.16(e) apply to the determination of whether a student is maintaining satisfactory progress for the receipt of any title IV student financial aid for any period beginning on or after July 1, 1994.

Section 668.16(e)(3) modifies earlier regulations which provided that an institution must establish a maximum time frame in which the student must complete his or her educational objective. The modifications provide that the maximum time frame can be no longer than 150 percent of the published length of the educational program for a full-time student. The 150 percent can be calculated using credit hours, clock hours, terms, academic years, or any other reasonable measure. For example, a school with an undergraduate program consisting of 120 credit hours may have a policy that includes a provision requiring a student to complete the program within 180 credit hours. Such a policy would not only provide a traditional student attending full time with 6 years to complete a 4 year program, but also easily accommodate most nontraditional students because the use of credit hours as the measure allows for less than full-time attendance as well as nonconsecutive enrollments.

The Department recognizes that these new requirements may create a hardship for some students who were maintaining progress under the institution's old policy but do not meet the requirements of the new policy. However, §668.16(e)(3)(vii) requires each institution to have procedures for students to appeal determinations that they are not making satisfactory progress. An institution may consider whether mitigating circumstances are present that would justify payment to an otherwise ineligible student. With such a determination, a student who fails one or more tests of the institution's satisfactory progress standards could still be eligible for title IV student financial aid payment.

For student appeals under the institution's satisfactory academic progress standards for aid disbursed during the 1994-95 award year, a student who met the institution's standards prior to July 1, 1994, but does not meet the new satisfactory progress standards might be awarded an additional disbursement for the increment of education used to measure satisfactory academic progress under §668.16(e)(3)(ii) if such a disbursement would permit the student to complete the program during that period.

An institution must determine and document each extension of eligibility due to a mitigating circumstance on an individual basis.

We hope that these clarifications and guidance are helpful and enable you to continue to make Federal student aid programs effective and beneficial to your students.

Sincerely yours,

Leo Kornfeld
Deputy Assistant Secretary for
Student Financial Assistance Programs