

Title IV Financial Responsibility Standards

All Schools

A school is financially responsible if it meets the following criteria:

Provides all services described in its official publications and statements*

Provides administrative resources necessary to comply with requirements for participating in Title IV programs*

Meets all of its financial obligations,* including payment of:

- required refunds to students and
- liabilities and debts to ED

Is current in paying any institutional debts*

Posts an irrevocable cash reserve, acceptable and payable to ED, equal to at least 25% of the total amount of Title IV program refunds paid by the school in the previous fiscal year**

Does not have as part of its most recent audit report*:

- a statement expressing substantial doubt of the school's ability to continue as a going concern *or*
- a disclaimed or adverse opinion by the accountant

The individual who exercises significant control over the school does not owe a liability for a Title IV program violation, unless the school and the individual owing the liability meet the provisions of 668.15(d)(4)

Has not been limited, suspended, or terminated *or* has not entered into a settlement agreement to resolve a limitation, suspension, or termination within the preceding 5 years

Was not required to repay an amount greater than 5% of Title IV funds received for an award year as a result of findings during its 2 most recent program reviews or audits

Was not cited during the preceding 5 years for failure to submit acceptable audit reports in a timely manner

Did not fail to resolve satisfactorily any compliance problems identified during a program review or audit

If a For-Profit Institution*

Maintains an acid-test ratio of 1:1 in terms of the school's cash (excluding any irrevocable line of credit requested by ED) and current receivables to current liabilities, **and**

Has not had operating losses in either or both of its past 2 fiscal years that in sum have resulted in more than a 10% reduction in the school's tangible net worth, **and**

Has a positive tangible net worth for its most recent fiscal year,

OR

Has outstanding debt obligations that are listed at or above the second highest credit rating level by a nationally recognized statistical rating organization

If a Nonprofit Institution*

Demonstrates at the end of its most recent fiscal year an acid-test ratio of 1:1 in terms of the school's cash and current receivables to current liabilities, **and**

(1) Has at the end of its most recent fiscal year a positive unrestricted current fund balance or positive unrestricted net asset *or*

(2) Has not had an excess of current fund expenditures greater than current fund revenues during the past 2 fiscal years that have resulted in more than 10% reduction in the school's unrestricted current fund balance or unrestricted net assets

OR

Has outstanding debt obligations that are listed at or above the second highest credit rating level by a nationally recognized statistical rating organization

If a Public Institution*

(Needs to meet only one of the following)

Has its liabilities backed by the full faith and credit of the state or other equivalent government entity, *or*

Has a positive unrestricted current fund balance, if reporting under the Single Audit Act, *or*

Has a positive unrestricted current fund balance in the state's higher education fund as presented in the general purpose financial statements, *or*

Submits documentation from the state auditor general that it has met all of its financial obligations during the past year and has sufficient resources to meet all of its financial obligations

OR

Has outstanding debt obligations that are listed at or above the second highest credit rating level by a nationally recognized statistical rating organization

* A school may be considered financially responsible even if the school fails to meet this standard if the school submits to ED an irrevocable letter of credit of not less than one-half the Title IV program funds received by the school for an award year *or* the school is able to establish that it has sufficient resources to ensure against its precipitous closure.

** This standard does not apply if the school:

1. is located in a state that has a tuition-recovery plan that is acceptable to ED, and the school contributes to that tuition-recovery fund;
2. has its liabilities backed by the full faith and credit of the state or by an equivalent governmental entity; *or*
3. demonstrates to ED that for each of the two most recently completed fiscal years it has made timely refunds to students and has met all of the financial responsibility standards.

Title IV Administrative Capability Standards

A school is administratively capable if it:

- administers Title IV programs in accordance with all Title IV requirements;
- designates a capable individual to be responsible for administering Title IV programs;
- has adequate staffing for administering Title IV programs;
- communicates to the individual responsible for administering Title IV programs all information that bears on a student's Title IV eligibility;
- has written procedures for administering Title IV programs;
- administers Title IV programs with adequate checks and balances in its system of internal controls;
- divides the functions of authorizing Title IV payments and disbursing/delivering Title IV funds so that the functions are carried out by at least two (2) organizationally independent individuals;
- establishes and maintains required Title IV records;
- for purposes of determining student eligibility for Title IV assistance: establishes, publishes, and applies reasonable standards for measuring whether a student is maintaining satisfactory academic progress in completing his/her educational program;
- develops an adequate system for resolving discrepancies in information related to a student's application for Title IV assistance;
- refers to ED's Office of Inspector General information indicating when an applicant for financial aid, employee, or agent of the school might have engaged in fraud or other criminal misconduct in connection with Title IV programs;
- provides adequate financial aid counseling to Title IV program applicants;
- submits all required Title IV program reports in a timely manner, including required fiscal reports and financial statements;
- does not demonstrate any significant problems in its ability to administer Title IV Programs;
- does not have any individual affiliated with the school who is/has been debarred or suspended or is engaging in any activity that is cause for suspension or debarment under Executive Order 12549 or the Federal Acquisition Regulation;
- for a school that seeks initial participation in a Title IV program: does not have more than 33% of its students withdraw during an academic year;
- has a cohort default rate* of less than 25% under the Federal Family Education Loan Program and/or Direct Loan Program for each of the three (3) most recent fiscal years and equal to or less than 15% under the Federal Perkins Loan Program; and
- does not appear to lack the ability to administer Title IV programs competently.

*If a school is determined not to be administratively capable on the basis of this standard only, ED will provisionally certify the school's participation in Title IV programs.