



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

Issue Paper 6: Certification Procedures
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Issue: Certification Procedures

Statutory cites: §498 of the Higher Education Act of 1965, as amended

Regulatory cites: 34 CFR 668.13, 668.14, 668.43

Summary of issues:

The regulations at 668.13 spell out the procedures for certification to participate in the federal aid programs; and further regulations at 668.14 include the requirements of a Program Participation Agreement (PPA) that institutions enter into as a condition of participation in the aid programs. However, the Department is concerned that procedures certifying institutions of higher education (institutions) to participate in the federal financial aid programs through a PPA are not sufficiently rigorous to adequately protect students and taxpayers.

Proposal:

The Department proposes changes that will provide for heightened oversight of institutions, particularly those that have engaged in activities that are high risk for students or taxpayers. We believe that these proposed changes will help ensure that students have access to high-quality educational opportunities and are protected from predatory or abusive behaviors.

Specifically, under § 668.13, Certification Procedures, the Department proposes to:

- 1. Eliminate the requirement to automatically recertify institutions after one year on a month-to-month status if the Department has not made a decision.** Current regulations require that the Department make a determination to grant or deny certification (provisional or full) within 12 months for any institution's application submitted on or after July 1, 2021. Under that provision, if the Department does not decide to grant or deny certification within 12 months, the institution is automatically be granted renewal of certification, which may be provisional. However, institutions that remain on month-to-month for an extended time are typically those that require the most extensive investigation before reaching a decision. Forcing a decision early could have substantial negative consequences for students and taxpayers. At the same time, the Department is working to improve its administrative processes and expand its resources to support more efficient and timely decision-making where possible.
- 2. Provide additional events that will lead to provisional certification,** including when an institution has incurred repeated findings related to the same compliance concern from program reviews or audits, or when the institution or an owner of the institution also owns another institution with liabilities owed to the Department. These are high-risk situations where the Department might need to take further steps to protect students and taxpayers by putting the institution on provisional certification status.

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3. **Requires recertification for certain provisionally certified schools after two years.** Namely, this provision applies to schools that were provisionally certified for reasons related to major consumer protection issues, such as pending or approved borrower defense or false certification claims.

Under § 668.14, which addresses PPAs, the Department proposes to:

1. **Ensure that both private colleges and the companies that own them are required to sign PPAs.** This will allow the Department to ensure owner entities with at least a 50 percent interest in the institution are liable for taxpayer losses that may be incurred by the institution.
2. **Add State attorneys general to the list of entities that have the authority to share with each other and the Department any information** pertaining to the institution's eligibility for or participation in the Title IV, HEA programs or any information on fraud and abuse. As members of the program integrity triad with oversight of colleges, it is important to clarify that State attorneys general are included in information sharing between these entities.
3. **Ensure that all programs that require programmatic accreditation and/or licensure/certification meet those requirements.** Too often students have enrolled in programs without knowing that they will be unable to find employment in the recognized occupation, because the program does not meet the necessary requirements for employment. Institutions will now be required to have those necessary certifications or programmatic accreditation.
4. **Seek feedback from the Committee on the appropriate maximum length of aid eligibility for a program** that prepares students for gainful employment in a recognized occupation. The Department is aware of significant variations in the required lengths of programs that are tied to the same occupations across states. Longer programs result in significantly larger amounts of student loan debt. For instance, an American Institutes for Research (AIR) [analysis](#) found that state requirements for cosmetology licenses range from 1,000 hours to more than twice as long, at 2,300 hours, without any evidence of increased pay or better program outcomes associated with those longer programs. We offer multiple options, and seek additional feedback from the Committee on capping the appropriate length of aid eligibility by program type.
5. **Establish additional conditions for use with provisionally certified institutions.** The Department proposes a non-exhaustive list of conditions that may be used as a way to ensure institutions are aware of the requirements that may be applied to their schools. This allows the Department to formalize tools that are available now but are not typically used.

Specifically, the Department may restrict the addition of new programs or locations, the rate of growth in enrollment of students or of Title IV volume, and the provision of a teach-out on behalf of another institution. Additionally, for an institution potentially at risk of closure, we propose to require submission of the following: a teach-out plan or agreement to the Department and to the institution's recognized accrediting agency, a records retention plan to the Department, and/or the release of some holds on student transcripts. We additionally propose limitations on the owners with respect to approving the purchase of another institution while an institution is provisionally certified. For an institution that may have engaged in misrepresentations to students, exhibited aggressive recruiting practices, or violated incentive compensation rules, we may also require the institution to submit marketing and other recruiting materials for the review and approval of the Secretary.

6. **Specifies the use of provisional conditions that will be applied to a proprietary institution seeking to convert to nonprofit status.** These conditions include continued compliance with 90/10 and gainful employment requirements, and the submission of reports on agreements with the former owner of the institution. For an institution that is certified as a nonprofit institution, or that converts to a nonprofit institution, conditions include reports on accreditor or state authorizer actions and new servicing agreements entered into by the school, as well as updates on IRS communications related to the school's tax-exempt status.

Under § 668.43, Institutional Information, the Department proposes to:

1. **Eliminate a disclosure requirement** regarding licensure or certification prerequisites, to align with and reflect the proposed changes in 34 CFR 668.14 described above, which makes this disclosure requirement no longer necessary.

Proposed Regulations Redline

§ 668.13 Certification.

(a) Requirements for certification.

(1)

(i) The Secretary certifies an institution to participate in the title IV, HEA programs if the institution qualifies as an eligible institution under 34 CFR part 600, meets the standards of this subpart and 34 CFR part 668, subpart L, and satisfies the requirements of paragraph (a)(2) of this section.

(ii) On application from the institution, the Secretary certifies a location of an institution that meets the requirements of § 668.13(a)(1)(i) as a branch if it satisfies the definition of "branch" in 34 CFR 600.2.

(2) Except as provided in paragraph (a)(3) of this section, if an institution wishes to participate for the first time in the title IV, HEA programs or has undergone a change in ownership that results in a change in control as described in 34 CFR 600.31, the institution must require the following individuals to complete title IV, HEA program training provided or approved by the Secretary no later than 12 months after the institution executes its program participation agreement under § 668.14:

(i) The individual the institution designates under § 668.16(b)(1) as its title IV, HEA program administrator.

(ii) The institution's chief administrator or a high-level institutional official the chief administrator designates.

(3)

(i) An institution may request the Secretary to waive the training requirement for any individual described in paragraph (a)(2) of this section.

(ii) When the Secretary receives a waiver request under paragraph (a)(3)(i) of this section, the Secretary may grant or deny the waiver, require another institutional official to take the training, or require alternative training.

(b) Period of participation.

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(1) If the Secretary certifies that an institution meets the standards of this subpart, the Secretary also specifies the period for which the institution may participate in a title IV, HEA program. An institution's period of participation expires no more than six years after the date that the Secretary certifies that the institution meets the standards of this subpart, except that -

(i) The period of participation for a private, for profit foreign institution expires three years after the date of the Secretary's certification; and

(ii) The Secretary may specify a shorter period.

(2) Provided that an institution has submitted an application for a renewal of certification that is materially complete at least 90 days prior to the expiration of its current period of participation, the institution's existing certification will be extended on a month to month basis following the expiration of the institution's period of participation until the end of the month in which the Secretary issues a decision on the application for recertification.

~~(3) In the event that the Secretary does not make a determination to grant or deny certification within 12 months of the expiration of its current period of participation, the institution will automatically be granted renewal of certification, which may be provisional.~~

(c) **Provisional certification.**

(1)(i) The Secretary may provisionally certify an institution if -

(A) The institution seeks initial participation in a Title IV, HEA program;

(B) The institution is an eligible institution that has undergone a change in ownership that results in a change in control according to the provisions of 34 CFR part 600;

(C) The institution is a participating institution -

(1) That is applying for a certification that the institution meets the standards of this subpart;

(2) That the Secretary determines has jeopardized its ability to perform its financial responsibilities by not meeting the factors of financial responsibility under § 668.15 and subpart L of this part or the standards of administrative capability under § 668.16; and

(3) Whose participation has been limited or suspended under subpart G of this part, or voluntarily enters into provisional certification;

(D) The institution seeks a renewal of participation in a Title IV, HEA program after the expiration of a prior period of participation in that program; or

(E) The institution is a participating institution that was accredited or preaccredited by a nationally recognized accrediting agency on the day before the Secretary withdrew the Secretary's recognition of that agency according to the provisions contained in 34 CFR part 602~~3~~; ~~or~~

~~(F) The institution is a participating institution that has been provisionally recertified under the automatic recertification requirement in paragraph (b)(3) of this section.~~

(ii) An institution's certification automatically becomes provisional upon notification from the Secretary if—

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- (A) The institution triggers one of the financial responsibility events under §668.171(c) or (d) and, as a result, the Secretary requires the institution to post financial protection;
- (B) The institution has received the same finding of noncompliance on more than one program review or audit; or
- (C) The institution or an owner of the institution with control over that institution, as defined in 34 CFR 600.31, also owns another institution with liabilities owed to the Department.

(iii) A proprietary institution's certification automatically becomes provisional at the start of a fiscal year after it did not derive at least 10 percent of its revenue for its preceding fiscal year from sources other than Title IV, HEA program funds, as required under § 668.14(b)(16).

(2) If the Secretary provisionally certifies an institution, the Secretary also specifies the period for which the institution may participate in a Title IV, HEA program. Except as provided in paragraphs (c) (3) ~~and (4)~~ of this section, a provisionally certified institution's period of participation expires -

(i) Not later than the end of the first complete award year following the date on which the Secretary provisionally certified the institution under paragraph (c)(1)(i)(A) of this section;

(ii) Not later than the end of the second complete award year following the date on which the Secretary provisionally certified an institution that had been fully certified for reasons related to substantial liabilities owed or potentially owed to the Department for discharges related to borrower defense to repayment or false certification, or for other consumer protection concerns as identified by the Secretary;

(iii) Not later than the end of the third complete award year following the date on which the Secretary provisionally certified the institution under paragraphs (c)(1)(i)(B), (C), and (D) ~~(iii), (iii), (iv)~~ or ~~(c)(1)(ii)(e)(2)~~ of this section; and

(iv) ~~(iv)~~ If the Secretary provisionally certified the institution under paragraph (c)(1)(~~iv~~)(E) of this section, not later than 18 months after the date that the Secretary withdrew recognition from the institution's nationally recognized accrediting agency.

(3) Notwithstanding the maximum periods of participation provided for in paragraph (c)(2) of this section, if the Secretary provisionally certifies an institution, the Secretary may specify a shorter period of participation for that institution.

(4) For the purposes of this section, "provisional certification" means that the Secretary certifies that an institution has demonstrated to the Secretary's satisfaction that the institution -

- (i) Is capable of meeting the standards of this subpart within a specified period; and
- (ii) Is able to meet the institution's responsibilities under its program participation agreement, including compliance with any additional conditions specified in the institution's program participation agreement that the Secretary requires the institution to meet in order for the institution to participate under provisional certification.

(d) *Revocation of provisional certification.*

(1) If, before the expiration of a provisionally certified institution's period of participation in a Title IV, HEA program, the Secretary determines that the institution is unable to meet its responsibilities under its program participation agreement, the Secretary may revoke the institution's provisional certification for participation in that program.

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(2)

(i) If the Secretary revokes the provisional certification of an institution under paragraph (d)(1) of this section, the Secretary sends the institution a notice by certified mail, return receipt requested. The Secretary also may transmit the notice by other, more expeditious means, if practical.

(ii) The revocation takes effect on the date that the Secretary mails the notice to the institution.

(iii) The notice states the basis for the revocation, the consequences of the revocation to the institution, and that the institution may request the Secretary to reconsider the revocation. The consequences of a revocation are described in § 668.26.

(3)

(i) An institution may request reconsideration of a revocation under this section by submitting to the Secretary, within 20 days of the institution's receipt of the Secretary's notice, written evidence that the revocation is unwarranted. The institution must file the request with the Secretary by hand-delivery, mail, or facsimile transmission.

(ii) The filing date of the request is the date on which the request is -

(A) Hand-delivered;

(B) Mailed; or

(C) Sent by ~~facsimile~~-electronic transmission.

(iii) Documents filed by electronic transmission must be transmitted to the Secretary in accordance with instructions provided by the Secretary in the notice of revocation.

(iv) The Secretary discourages the use of facsimile transmission for documents longer than five pages.

(4)

(i) The designated department official making the decision concerning an institution's request for reconsideration of a revocation is different from, and not subject to supervision by, the official who initiated the revocation of the institution's provisional certification. The deciding official promptly considers an institution's request for reconsideration of a revocation and notifies the institution, by certified mail, return receipt requested, of the final decision. The Secretary also may transmit the notice by other, more expeditious means, if practical.

(ii) If the Secretary determines that the revocation is warranted, the Secretary's notice informs the institution that the institution may apply for reinstatement of participation only after the later of the expiration of -

(A) Eighteen months after the effective date of the revocation; or

(B) A debarment or suspension of the institution under Executive Order (E.O.) 12549 (3 CFR, 1986 comp., p. 189) or the Federal Acquisition Regulations, 48 CFR part 9, subpart 9.4.

(iii) If the Secretary determines that the revocation of the institution's provisional certification is unwarranted, the Secretary's notice informs the institution that the institution's provisional certification is reinstated, effective on the date that the Secretary's original revocation notice was mailed, for a specified period of time.

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(5) The mailing date of a notice of revocation or a request for reconsideration of a revocation is the date evidenced on the original receipt of mailing from the U.S. Postal Service or another service that provides delivery confirmation for that document.

§ 668.14 Program participation agreement.

(a)

(1) An institution may participate in any Title IV, HEA program, other than the LEAP and NEISP programs, only if the institution enters into a written program participation agreement with the Secretary, on a form approved by the Secretary. A program participation agreement conditions the initial and continued participation of an eligible institution in any Title IV, HEA program upon compliance with the provisions of this part, the individual program regulations, and any additional conditions specified in the program participation agreement that the Secretary requires the institution to meet.

(2) An institution's program participation agreement applies to each branch campus and other location of the institution that meets the applicable requirements of this part unless otherwise specified by the Secretary.

(3) An institution's program participation agreement must be signed by—

(i) An authorized representative of the institution; and

(ii) For a proprietary or private nonprofit institution, by an authorized representative of an entity with direct or indirect ownership of the institution if that entity has the power to exercise control over the institution. The Secretary considers the following as examples of circumstances in which an entity has such power—

(A) If the entity has at least 50 percent control over the institution through direct or indirect ownership, by voting rights, or by its right to appoint board members to the institution or any other entity, whether by itself or in combination with other entities or natural persons with which it is affiliated or related, or pursuant to a proxy or voting or similar agreement;

(B) If the entity has the power to block significant actions;

(C) If the entity is the 100 percent direct or indirect interest holder of the institution; or

(D) If the entity provides or will provide the financial statements to meet any of the requirements of 34 CFR 600.20(g), (h), or Subpart L of this part.

(b) By entering into a program participation agreement, an institution agrees that -

* * *

(17) The Secretary, guaranty agencies and lenders as defined in 34 CFR part 682, nationally recognized accrediting agencies, the Secretary of Veterans Affairs, State agencies recognized under 34 CFR part 603 for the approval of public postsecondary vocational education, ~~and~~ State agencies that legally authorize institutions and branch campuses or other locations of institutions to provide postsecondary education, and State attorneys general have the authority to share with each other any information

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pertaining to the institution's eligibility for or participation in the Title IV, HEA programs or any information on fraud and abuse;

* * *

(26) If an educational program offered by the institution is required to prepare a student for gainful employment in a recognized occupation, the institution must -

(i) Demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation for which the program prepares the student. The Secretary considers the relationship to be reasonable if the number of clock hours provided in the program does not exceed the greater of -

(A) One hundred and fifty percent of the minimum number of clock hours required for training in the recognized occupation for which the program prepares the student, as established by the State in which the institution is located, if the State has established such a requirement, or as established by any Federal agency; or

(B) The minimum number of clock hours required for training in the recognized occupation for which the program prepares the student as established in a State adjacent to the State in which the institution is located; and

(ii) Establish the need for the training for the student to obtain employment in the recognized occupation for which the program prepares the student;

* * *

(32) In each State in which the institution is located or in which the institution is otherwise required to obtain State approval under 34 CFR 600.9, the institution must—

(i) Ensure that each program is programmatically accredited, if such accreditation is required by a Federal governmental entity or by a governmental entity in the State; and

(ii) Ensure that each program satisfies the applicable educational prerequisites for professional licensure or certification requirements in the State so that a student who completes the program and seeks employment in that State qualifies to take any licensure or certification exam that is needed for the student to practice or find employment in an occupation that the program prepares students to enter.

* * *

(e) If an institution is provisionally certified, the Secretary may apply such conditions as are determined to be appropriate to the institution, including—

(1) For an institution that the Secretary determines may be at risk of closure—

(i) Submission of a teach-out plan or agreement to the Department and to the institution's recognized accrediting agency;

(ii) Submission of a records retention plan to the Department; and

Commented [A1]: The Department is aware of significant variation across states in the minimum required length of programs tied to licensure in many states in a variety of fields. Otherwise-equivalent programs that require many more hours in one state can lead students in that state to spend more time in school and take on more student loan debt. For instance, an AIR analysis found that state requirements for cosmetology licenses range from 1,000 hours to more than twice as long, at 2,300 hours.

[https://www.ncsl.org/Portals/1/Documents/Labor/Licensing/Reddy_PBAExaminationofCosmetologyLicensingIssues_31961.pdf] Requiring students, depending on the state, to spend much longer in equivalent programs results in those students using up more of their lifetime eligibility for Pell Grants or other federal financial aid, possibly making it harder for them to pursue later training.

The Department seeks feedback on the appropriate maximum length of aid for a gainful employment program in these situations where equivalent programs have substantially different lengths. The Department would not limit the discretion of the states to establish program length requirements but is concerned about the costs to the student of providing aid eligibility beyond the minimum state licensing requirements for programs that go far beyond the length that most institutions offer. Options might include, for example capping the length of aid for a program that receives federal aid at:

--The minimum clock hours required in the state, or the minimum plus a tolerance that allows programs to offer one additional course. For example, if a state requires 1,500 hours for cosmetology, capping the aid at 1,500 or 1,650 hours to allow for an additional course equivalent to 3 credit hours.

--The minimum clock hours in a state in the same metropolitan statistical area (MSA) as the institution, if that state's minimum hours are higher than the those in that institution's state. For example, if an institution's home state requires 1,500 hours for cosmetology and it is in the same MSA as a state that requires 1,800 hours, the minimum length would be 1,800.

--The lesser of the minimum number of hours required by the state or of the national median for the number of hours required. For example, if the national median is 1,500 hours, aid at an institution in a state with a minimum of 1,000 hours would still be capped at 1,000 hours, while aid at an institution in a state that requires 2,000 hours would be capped at 1,500 hours.

--Other permutations of the above ideas, such as allowing a tolerance of 125 percent above the minimum.

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(iii) The release of holds on student transcripts over a de minimis amount, and the release of all holds on student transcripts in the event of a closure;

(2) Restrictions on the addition of new programs or locations;

(3) Restrictions on the rate of growth in enrollment of students or of Title IV volume;

(4) Restrictions on the institution providing a teach-out on behalf of another institution;

(5) Restrictions on the acquisition of another participating institution, which may include the posting of financial surety in an amount determined by the Secretary but not less than 10 percent of the acquired institution's Title IV volume for the prior fiscal year. This surety is in addition to any other required surety;

(6) Additional reporting requirements, which may include, but are not limited to, cash balances, an actual and protected cash flow statement, student rosters, and interim unaudited financial statements;

(7) Limitations on the institution entering into a written arrangement with another eligible institution or an ineligible institution or organization for that other eligible institution or ineligible institution or organization to provide between 25 and 50 percent of the institution's educational program under ~~34~~ CFR-§668.5(a) or (c);

(8) For an institution alleged or found to have engaged in misrepresentations to students, engaged in aggressive recruiting practices, or violated incentive compensation rules, requirements to submit marketing and other recruiting materials for the review and approval of the Secretary; and

(9) Such other conditions as the Secretary deems necessary or appropriate.

(f) If a proprietary institution seeks to convert to nonprofit status following a change in ownership, the following conditions will apply to the institution following the change in ownership, in addition to any other conditions that the Secretary may deem appropriate—

(1) The institution must continue to meet the requirements under §668.28(a) and §668.28(b) until the Department has accepted, reviewed and approved the institution's financial statements and compliance audits that cover two complete consecutive fiscal years with passing 90/10 reporting under its new ownership, or until the Department approves the institution's request to convert to nonprofit status, whichever is later;

(2) The institution must continue to meet the gainful employment requirements of Subpart Q of this part until the Department has accepted, reviewed, and approved the institution's financial statements and compliance audits that cover two complete consecutive fiscal years under its new ownership, or until the Department approves the institution's request to convert to nonprofit status, whichever is later; and

(3) The institution will be required to submit regular and timely reports on agreements entered into with its former for-profit owner or affiliated or related persons or entities, so long as the institution participates as a nonprofit institution

(g) If an institution is initially certified as a nonprofit institution, or if it has undergone a change of ownership and seeks to convert to nonprofit status, the following conditions will apply to the institution

upon initial certification or following the change in ownership, in addition to any other conditions that the Secretary may deem appropriate:

(1) The institution will be required to submit regular and timely reports on accreditor and state authorization agency actions and any new servicing agreements until the Department has accepted, reviewed and approved the institution's financial statements and compliance audits that cover two complete consecutive fiscal years following initial certification, or two complete fiscal years under its new ownership or until the Department approves the institution's request to convert to nonprofit status, whichever is later; and

(2) The institution will be required to submit regular and timely reports on communications from the Internal Revenue Service or any state or foreign country related to tax-exempt or nonprofit status so long as the institution participates as a nonprofit institution.

(he)

(1) A program participation agreement becomes effective on the date that the Secretary signs the agreement.

(2) A new program participation agreement supersedes any prior program participation agreement between the Secretary and the institution.

(if)

(1) Except as provided in paragraphs (g) and (h) of this section, the Secretary terminates a program participation agreement through the proceedings in subpart G of this part.

(2) An institution may terminate a program participation agreement.

(3) If the Secretary or the institution terminates a program participation agreement under paragraph (f) of this section, the Secretary establishes the termination date.

(ig) An institution's program participation agreement automatically expires on the date that -

(1) The institution changes ownership that results in a change in control as determined by the Secretary under 34 CFR part 600; or

(2) The institution's participation ends under the provisions of § 668.26(a) (1), (2), (4), or (7).

(kh) An institution's program participation agreement no longer applies to or covers a location of the institution as of the date on which that location ceases to be a part of the participating institution.

§ 668.43 Institutional information.

(a) Institutional information that the institution must make readily available to enrolled and prospective students under this subpart includes, but is not limited to -

* * *

(5) The academic program of the institution, including -

(i) The current degree programs and other educational and training programs;

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(ii) The instructional, laboratory, and other physical facilities which relate to the academic program;

(iii) The institution's faculty and other instructional personnel; and

(iv) Any plans by the institution for improving the academic program of the institution, upon a determination by the institution that such a plan exists, and

~~(v) If an educational program is designed to meet educational requirements for a specific professional license or certification that is required for employment in an occupation, or is advertised as meeting such requirements, information regarding whether completion of that program would be sufficient to meet licensure requirements in a State for that occupation, including—~~

~~(A) A list of all States for which the institution has determined that its curriculum meets the State educational requirements for licensure or certification;~~

~~(B) A list of all States for which the institution has determined that its curriculum does not meet the State educational requirements for licensure or certification; and~~

~~(C) A list of all States for which the institution has not made a determination that its curriculum meets the State educational requirements for licensure or certification;~~