



**SC Higher Education  
Tuition Grants Commission**

*Providing Opportunity. Promoting Choice.*

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***SOUTH CAROLINA HIGHER EDUCATION  
TUITION GRANTS COMMISSION  
2020-2021 PROGRAM REVIEW GUIDE***

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# ***PROGRAM REVIEW GUIDE INDEX***

Introduction to Program Review.....	2
Purpose of the Program Review Guide.....	3
Program Review Objectives.....	3
Legal Provisions and Authority for Program Review.....	3
Initial Program Review Procedures.....	4
Verification of Student Awards and Refunds.....	4
Verification of Enrollment.....	4
Maintenance of Records.....	5
Management Recommendations.....	5
Matters Requiring Immediate Action.....	5
Auditor’s Review with College Officials.....	5
Program Review Report Distribution and Follow-up.....	6
Instructions for Auditing LEAP and SLEAP Recipients.....	6
Suggested Program Review Worksheet for Auditor.....	7-8
Student Eligibility Regulations for Federal Aid.....	9-19

# INTRODUCTION TO PROGRAM REVIEW

The South Carolina Tuition Grants Program Review will directly involve three areas of responsibility at the college. These areas are (1) Financial Aid Office, (2) Registrar's Office, and (3) Business Office.

In the Financial Aid Office, the auditor will review computations associated with either a 20% random sample of student awards, or the appropriate statistical random sample, either of which should be derived from the Commission's "Applicants Report - Auditor's Copy" that is available at the college via the Internet. If the sampled student received funds from multiple sources, the auditor will then check for overawards according to the Commission's guidelines.

Documentation of reasons for any exceptions should be a part of the student's financial aid file. Also in the financial aid office, the auditor will review each sampled student's financial aid file for documentation of state residency and a signed "Felony, Drug, or Alcohol Affidavit."

In the Registrar's Office, the same random sample of students will have their records checked for verification of full-time enrollment status for each school term, meeting the satisfactory academic progress requirements for upperclassmen (including transfers), and meeting the academic eligibility requirements for entering freshmen.

In the Business Office, the audit trail should show a credit to the student's account within the required time-period (five business days from receipt of Electronic Funds Transfer or check) that is identifiable as South Carolina Tuition Grant funds in the same amount as recorded in the Financial Aid Office and as listed on the associated Commission Voucher Listing. A review of all refund checks issued by the college to the Commission, not just refunds issued for those within the random sample, should be conducted insuring that all refunds were issued within the 30-business-day requirement.

To carry out the above-mentioned procedures, this Program Review Guide will be authoritative. In addition to this guide, the auditor will be provided with a copy of the basic legislation, program guidelines, and a printed roster of awarded students.

The material prepared by the Commission for each college to present, by the college Financial Aid Office, to its auditor includes:

1. A copy of the appropriate South Carolina Tuition Grants Policies & Procedures Manual, which includes the legislation creating the South Carolina Tuition Grants Program.
2. A Commission produced roster (Applicants Report - Auditor's Copy) of students with current funding status. The final "Applicants Report - Auditor's Copy" is prepared by the Commission and made available via the Commission's web site during the first week of July following the close of the Award Year. A preliminary report may be made available at an earlier date.
3. A supply of Program Review Worksheets for use in the review of the test sample.
4. Advice from the Commission on problems encountered during the year with the college.

5. Copies of the following will be made available to the auditor: (a) the fiscal control data/Commission Vouchers pertaining to distribution of award funds by the Commission and (b) the receipts of award checks/EFTs by the college.

## PURPOSE OF THE PROGRAM REVIEW GUIDE

This Program Review Guide is designed to familiarize independent accountants and auditors with the significant provisions of the South Carolina Tuition Grants Program. This Program Review Guide shall be used to supplement the audit procedures necessary in performing an examination in accordance with generally accepted audit standards. Program Review guidance is intended to provide general insight into the nature and scope of the review contemplated. This guide is **not** intended to be a complete manual of procedures, nor is it intended to supplant the auditor's judgment of audit work required. Program Review procedures maintained herein might not cover all circumstances or conditions encountered in the review of a college. The auditor must use professional judgment to tailor the procedures to meet conditions at the Program Review site so that the review objectives may be achieved.

The term "Program Review," as used in this guide, means a systematic review of appraisal to determine and report on whether (1) financial operations pertaining to the South Carolina Tuition Grants Program are properly conducted and (2) compliance with applicable laws and regulations has occurred.

## PROGRAM REVIEW OBJECTIVES

The primary objectives identified for the auditor performing Program Reviews are:

1. To determine that the college has utilized reasonable administrative procedures and internal controls for effectively discharging its management responsibilities;
2. To review the college's operations and report on areas of non-compliance with the legislation, program guidelines, and program instructions; and, based upon the review, to provide a program manager's constructive recommendations for improvements.

## LEGAL PROVISIONS AND AUTHORITY FOR PROGRAM REVIEW

The South Carolina Higher Education Tuition Grants Program is authorized pursuant to South Carolina Code of Laws 1976, Section 59-113-10. The Authority for oversight of the South Carolina Tuition Grants Program is vested in the South Carolina Higher Education Tuition Grants Commission.

The South Carolina Higher Education Tuition Grants Commission authorized the annual Program Review of each participating college at its June 9, 1977 meeting. Since that time, all Program Reviews have been conducted by each college's regular auditing firms.

# INITIAL PROGRAM REVIEW PROCEDURES

Initiating site Program Review work, the auditor shall:

1. Obtain background data on the college and identify key staff as they relate to the college and the financial aid program.
2. Become familiar with the college's South Carolina Tuition Grants procedures.
3. Perform a limited survey to identify any significant weaknesses in the South Carolina Tuition Grants Program administration.
4. Review prior South Carolina Tuition Grants Program Reviews. If necessary, prior Reviews may be obtained from the college or the Commission.

## VERIFICATION OF STUDENT AWARDS AND REFUNDS

Select a representative random sample of students receiving South Carolina Tuition Grant Awards. Determine:

1. That individual student records are maintained and reflect the amount and source of the South Carolina Tuition Grant Award.
2. That crediting of the annual award was made to the student's account in the business office within the required five business day time period.
3. When required, that an appropriate and timely refund was made by the college to the Commission. Refunds must be made to the Commission within 30 business days of the college becoming aware that a refund is due. ***Exception to Random Sample for Refunds:*** *As noted on Page 2 of this Guide, all refunds issued by the college must be verified as submitted within the 30-business-day requirement regardless of whether the student for whom the refund is issued is part of the random sample.*
4. That registrar records will serve as a basis of verification of student enrollment status.

## VERIFICATION OF ENROLLMENT

The auditor uses the same representative random sample for review of the enrollment status of students as was used for verification of awards. Each grant recipient must be:

1. Enrolled on a full-time basis as a degree-seeking student at the institution for each semester in which the student received a South Carolina Tuition Grant. Students who do not enroll full-time for the fall term are ineligible for the full year unless an approved appeal is on file for a "Spring-Only" grant.
2. Enrolled at the undergraduate level (students who have already received Bachelor's Degrees are not eligible).

3. Maintaining satisfactory progress in a course of study according to the guidelines of the Commission as outlined in the Program's Policies and Procedures Manual for the year reviewed.

## **MAINTENANCE OF RECORDS**

All colleges are required to maintain records mentioned previously in the Program Review Guide.

If the college fails to maintain adequate program records and controls or to prepare required reports or otherwise fails to manage the program adequately, such failures shall be noted in the Program Review report.

Violation of law, guidelines, or errors shall be reported to the college president for appropriate action. If the college cannot make proper corrective adjustments, funds equal to the amount spent in violation of the South Carolina Tuition Grants Law or appropriation guidelines shall be refunded to the Commission within 30 business days of the date of the college exit interview with the auditor.

## **MANAGEMENT RECOMMENDATIONS**

The management recommendations submitted to the South Carolina Tuition Grants Commission shall include a statement outlining all material weaknesses of the internal accounting and administrative controls exercised within the college. These recommendations shall include narrative descriptions to enable the South Carolina Tuition Grants Commission to assist the college with its management responsibilities. Working papers will be maintained and available for review by the Commission or State auditor.

## **MATTERS REQUIRING IMMEDIATE ACTION**

The auditor must be alert for situations that may indicate the existence of material irregularities. Immediate disclosures of potential fraud or program abuse shall be made to the chief administrative officer of the college and this same information must be reported to the South Carolina Tuition Grants Commission immediately.

## **AUDITOR'S REVIEW WITH COLLEGE OFFICIALS**

At the conclusion of the Program Review, the results of the Program Review shall be reviewed with the responsible college personnel. All findings and recommendations shall be discussed fully with college officials to ensure that the facts presented and the conclusions reached are accurate and complete. The Program Review Report shall include a review of all information related to corrective actions taken or to be taken by the college.

## PROGRAM REVIEW REPORT DISTRIBUTION AND FOLLOW-UP

The college is required to forward to the Commission one (1) copy of the Program Review Report within 30 days of its receipt of the Report from the college's independent auditor. The independent auditor may elect to forward a copy directly to the Commission on behalf of the college. **In no event shall this be later than December 31st following the end of the college's fiscal year.**

### **The Program Review Report to the Commission shall include:**

1. The method of sample selection.
2. The number of sample cases tested.
3. The time period covered by the report.
4. Statement of procedures performed.
5. Results of tests including exceptions by name **and** the last four digits of the student's Social Security Number.
6. Concluding opinion as to whether or not the program has been administered in accordance with the legislation and program guidelines.

## INSTRUCTIONS FOR AUDITING FEDERAL LEAP (LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP) AND SLEAP (SPECIAL LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP) PROGRAM RECIPIENTS

**Effective with the 2011-2012 academic year, the United States Congress eliminated funding for the Federal LEAP program. Federal SLEAP funding was eliminated in 2010-2011. All South Carolina Tuition Grants are funded by general state appropriations and state educational lottery funding. Consequently, there is no longer a requirement for auditors to review for LEAP and SLEAP program compliance.**

**Although Federal LEAP and SLEAP funding no longer contributes to funding the South Carolina Tuition Grant, the requirement still exists that Tuition Grant recipients must meet all full-time federal financial aid eligibility requirements, pursuant to student eligibility requirements outlined in the South Carolina Tuition Grants Commission's Policies and Procedures Manual.**

## SUGGESTED PROGRAM REVIEW WORKSHEET FOR AUDITOR

There are five sections to this worksheet. Sections I - IV should be completed for all reviewed files.

### I. STUDENT INFORMATION:

\_\_\_\_\_  
Student's Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
College

Budget Type (Check One):    \_\_\_\_\_    \_\_\_\_\_    \_\_\_\_\_    \_\_\_\_\_  
   Boarding    Commuting    Off-Campus    Non-Traditional

### II. FOR FINANCIAL AID OFFICE:

Is the SC Tuition Grant Award equal to or less than the student's Need and is the total of the SC Tuition Grant Award plus all Tuition-specific Scholarships equal to or less than the student's tuition and required fees? (Refer to the "Applicants Report – Auditor's Copy" to determine the student's Budget, Expected Family Contribution (EFC), and the Need used by the Commission for the SC Tuition Grant Award.)

\_\_\_\_\_  
YES                      NO

If NO, an overaward of a South Carolina Tuition Grant Award has occurred and a refund of the overaward amount is required.

Overaward Amount: \$ \_\_\_\_\_

Student's/Parents' State of Legal Residency: \_\_\_\_\_  
(For a "dependent" student, parents' residency required)

If not South Carolina, is there a copy of a Letter of Residency Approval from the Commission or some other Document from the Commission approving Residency eligibility on file in the student's file?

\_\_\_\_\_  
YES                      NO

If NO, the student was ineligible for a SC Tuition Grant Award and a full refund is required.

Is a signed "Felony, Drug, or Alcohol Affidavit" on file in the student's financial aid file? (The Affidavit is required to be completed annually and must be in the student's file prior to the college requesting the initial Tuition Grant disbursement.)

\_\_\_\_\_  
YES                      NO

If NO, the student was ineligible for a SC Tuition Grant Award and a full refund is required.

Does the student, regardless of family income, meet all eligibility requirements to receive Federal financial aid?

\_\_\_\_\_  
YES                      NO

If NO, the student was ineligible for a SC Tuition Grant Award and a full refund is required.



AUDITOR PROGRAM REVIEW WORKSHEET (PAGE 2)

**III. FOR REGISTRAR'S OFFICE:**

Was the student enrolled as a full-time student for each academic term of the SC Tuition Grant Award year for which the student received a SC Tuition Grant?

\_\_\_\_\_  
YES NO

If NO, was a refund of the Tuition Grant Award for the less than full-time academic term made?

\_\_\_\_\_  
YES NO

If a freshman, did the student graduate in the top 75.00% of his/her high school class, or score a minimum of 900 on the SAT, or score 19 or higher on the ACT or graduate from an SC high school with at least a 2.70 GPA on the SC Uniform Grading Policy **OR** if an upperclassman (including transfer students), did the student enroll full-time and satisfactorily complete (pass) 24 credit hours during the prior year (summer work may be counted) or enroll less than full-time and satisfactorily complete (pass) the required credit hours for part-time enrollment according to the Satisfactory Academic Policies outlined in the Commission's Policies & Procedures Manual?

\_\_\_\_\_  
YES NO

If NO, and an approved Satisfactory Progress Appeal Letter is not on file, a full refund is owed.

**IV. FOR BUSINESS OFFICE:**

Was the SC Tuition Grant Award credited to the student's account by the Business Office within five (5) business days of the college's receipt of the student's grant funds and is the credit identifiable as such with a specific code?

\_\_\_\_\_  
YES NO

Is the amount credited to the student's account the same amount as the South Carolina Tuition Grant listed on the applicable Voucher Listing?

\_\_\_\_\_  
YES NO

If applicable, was a required refund made to the Commission within 30 working days of the college's determination that a refund was owed?

\_\_\_\_\_  
YES NO

**V. FOR AUDITOR:**

COMMENTS/NOTES: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 34 CFR 668 -- STUDENT ASSISTANCE GENERAL PROVISIONS

### Subpart C—Student Eligibility

**Source:** 60 FR 61810, Dec. 1, 1995, unless otherwise noted.

#### § 668.31 Scope.

This subpart contains rules by which a student establishes eligibility for assistance under the title IV, HEA programs. In order to qualify as an eligible student, a student must meet all applicable requirements in this subpart.

(Authority: 20 U.S.C. 1091)

#### § 668.32 Student eligibility—general.

A student is eligible to receive Title IV, HEA program assistance if the student either meets all of the requirements in paragraphs (a) through (m) of this section or meets the requirement in paragraph (n) of this section as follows:

- (a)(1) (i) Is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution;
- (ii) For purposes of the FFEL and Direct Loan programs, is enrolled for no longer than one twelve-month period in a course of study necessary for enrollment in an eligible program; or
- (iii) For purposes of the Federal Perkins Loan, FWS, FFEL, and Direct Loan programs, is enrolled or accepted for enrollment as at least a half-time student at an eligible institution in a program necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State; and
- (2) For purposes of the ACG, National SMART Grant, FFEL, and Direct Loan programs, is at least a half-time student.
- (b) Is not enrolled in either an elementary or secondary school.
- (c)(1) For purposes of the ACG, National SMART Grant, and FSEOG programs, does not have a baccalaureate or first professional degree;
- (2) For purposes of the Federal Pell Grant Program—
  - (i)(A) Does not have a baccalaureate or first professional degree; or
  - (B) Is enrolled in a postbaccalaureate teacher certificate or licensing program as described in 34 CFR 690.6(c); and
  - (ii) Is not incarcerated in a Federal or State penal institution;
- (3) For purposes of the Federal Perkins Loan, FFEL, and Direct Loan programs, is not incarcerated; and
- (4) For the purposes of the TEACH Grant program—
  - (i) For an undergraduate student other than a student enrolled in a post-baccalaureate program, has not completed the requirements for a first baccalaureate degree; or
  - (ii) For the purposes of a student in a first post-baccalaureate program, has not completed the requirements for a post-baccalaureate program as described in 34 CFR 686.2(d).

- (d) Satisfies the citizenship and residency requirements contained in §668.33 and subpart I of this part.
- (e)(1) Has a high school diploma or its recognized equivalent;
- (2) Has obtained a passing score specified by the Secretary on an independently administered test in accordance with subpart J of this part;
- (3) Is enrolled in an eligible institution that participates in a State “process” approved by the Secretary under subpart J of this part;
- (4) Was home-schooled, and either—
- (i) Obtained a secondary school completion credential for home school (other than a high school diploma or its recognized equivalent) provided for under State law; or
- (ii) If State law does not require a home-schooled student to obtain the credential described in paragraph (e)(4)(i) of this section, has completed a secondary school education in a home school setting that qualifies as an exemption from compulsory attendance requirements under State law; or
- (5) Has been determined by the institution to have the ability to benefit from the education or training offered by the institution based on the satisfactory completion of 6 semester hours, 6 trimester hours, 6 quarter hours, or 225 clock hours that are applicable toward a degree or certificate offered by the institution.
- (f) Maintains satisfactory academic progress in his or her course of study according to the institution's published standards of satisfactory academic progress that meet the requirements of §668.34.
- (g) Except as provided in §668.35—
- (1) Is not in default, and certifies that he or she is not in default, on a loan made under any title IV, HEA loan program;
- (2) Has not obtained loan amounts that exceed annual or aggregate loan limits made under any title IV, HEA loan program;
- (3) Does not have property subject to a judgment lien for a debt owed to the United States; and
- (4) Is not liable for a grant or Federal Perkins loan overpayment. A student receives a grant or Federal Perkins loan overpayment if the student received grant or Federal Perkins loan payments that exceeded the amount he or she was eligible to receive; or if the student withdraws, that exceeded the amount he or she was entitled to receive for non-institutional charges.
- (h) Files a Statement of Educational Purpose in accordance with the instructions of the Secretary.
- (i) Has a correct social security number as determined under §668.36, except that this requirement does not apply to students who are residents of the Federated States of Micronesia, Republic of the Marshall Islands, or the Republic of Palau.
- (j) Satisfies the Selective Service registration requirements contained in §668.37, and, if applicable, satisfies the requirements of §668.38 and §668.39 involving enrollment in telecommunication and correspondence courses and a study abroad program, respectively.
- (k) Satisfies the program specific requirements contained in—
- (1) 34 CFR 674.9 for the Federal Perkins Loan program;
- (2) 34 CFR 675.9 for the FWS program;
- (3) 34 CFR 676.9 for the FSEOG program;
- (4) 34 CFR 682.201 for the FFEL programs;
- (5) 34 CFR 685.200 for the William D. Ford Federal Direct Loan programs;
- (6) 34 CFR 690.75 for the Federal Pell Grant program;
- (7) 34 CFR 691.75 for the ACG and National SMART Grant programs;

(8) 34 CFR 692.40 for the LEAP program; and

(9) 34 CFR 686.11 for the TEACH Grant program.

(l) Is not ineligible under §668.40.

(m) In the case of a student who has been convicted of, or has pled nolo contendere or guilty to, a crime involving fraud in obtaining title IV, HEA program assistance, has completed the repayment of such assistance to:

(1) The Secretary; or

(2) The holder, in the case of a title IV, HEA program loan.

(n) Is enrolled in a comprehensive transition and postsecondary program under subpart O of this part and meets the student eligibility criteria in that subpart.

(Authority: 20 U.S.C. 1070g, 1091; 28 U.S.C. 3201(e))

[60 FR 61810, Dec. 1, 1995, as amended at 63 FR 40624, July 29, 1998; 64 FR 57358, Oct. 22, 1999; 64 FR 58291, Oct. 28, 1999; 67 FR 67073, Nov. 1, 2002; 71 FR 38002, July 3, 2006; 71 FR 45696, Aug. 9, 2006; 73 FR 35493, June 23, 2008; 74 FR 20221, May 1, 2009; 74 FR 55942, Oct. 29, 2009; 75 FR 66952, Oct. 29, 2010]

### **§ 668.33 Citizenship and residency requirements.**

a) Except as provided in paragraph (b) of this section, to be eligible to receive title IV, HEA program assistance, a student must—

(1) Be a citizen or national of the United States; or

(2) Provide evidence from the U.S. Immigration and Naturalization Service that he or she—

(i) Is a permanent resident of the United States; or

(ii) Is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident;

(b)(1) A citizen of the Federated States of Micronesia, Republic of the Marshall Islands, or the Republic of Palau is eligible to receive funds under the FWS, FSEOG, and Federal Pell Grant programs if the student attends an eligible institution in a State, or a public or nonprofit private eligible institution of higher education in those jurisdictions.

(2) A student who satisfies the requirements of paragraph (a) of this section is eligible to receive funds under the FWS, FSEOG, and Federal Pell Grant programs if the student attends a public or nonprofit private eligible institution of higher education in the Federated States of Micronesia, Republic of the Marshall Islands, or the Republic of Palau.

(c)(1) If a student asserts that he or she is a citizen of the United States on the Free Application for Federal Student Aid (FAFSA), the Secretary attempts to confirm that assertion under a data match with the Social Security Administration. If the Social Security Administration confirms the student's citizenship, the Secretary reports that confirmation to the institution and the student.

(2) If the Social Security Administration does not confirm the student's citizenship assertion under the data match with the Secretary, the student can establish U.S. citizenship by submitting documentary evidence of that status to the institution. Before denying title IV, HEA assistance to a student for failing to establish citizenship, an institution must give a student at least 30 days notice to produce evidence of U.S. citizenship.

(Authority: 20 U.S.C. 1091, 5 U.S.C. 552a)

[52 FR 45727, Dec. 1, 1987, as amended at 71 FR 38002, July 3, 2006; 74 FR 20221, May 1, 2009]

### § 668.34 Satisfactory progress.

(a) *Satisfactory academic progress policy.* An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if—

(1) The policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under the title IV, HEA programs;

(2) The policy provides for consistent application of standards to all students within categories of students, e.g., full-time, part-time, undergraduate, and graduate students, and educational programs established by the institution;

(3) The policy provides that a student's academic progress is evaluated—

(i) At the end of each payment period if the educational program is either one academic year in length or shorter than an academic year; or

(ii) For all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period;

(4)(i) The policy specifies the grade point average (GPA) that a student must achieve at each evaluation, or if a GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm; and

(ii) If a student is enrolled in an educational program of more than two academic years, the policy specifies that at the end of the second academic year, the student must have a GPA of at least a "C" or its equivalent, or have academic standing consistent with the institution's requirements for graduation;

(5)(i) The policy specifies the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum timeframe, as defined in paragraph (b) of this section, and provides for measurement of the student's progress at each evaluation; and

(ii) An institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. In making this calculation, the institution is not required to include remedial courses;

(6) The policy describes how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours;

(7) Except as provided in paragraphs (c) and (d) of this section, the policy provides that, at the time of each evaluation, a student who has not achieved the required GPA, or who is not successfully completing his or her educational program at the required pace, is no longer eligible to receive assistance under the title IV, HEA programs;

(8) If the institution places students on financial aid warning, or on financial aid probation, as defined in paragraph (b) of this section, the policy describes these statuses and that—

(i) A student on financial aid warning may continue to receive assistance under the title IV, HEA programs for one payment period despite a determination that the student is not making satisfactory academic progress. Financial aid warning status may be assigned without an appeal or other action by the student; and

(ii) A student on financial aid probation may receive title IV, HEA program funds for one payment period. While a student is on financial aid probation, the institution may require the student to fulfill specific terms and conditions such as taking a reduced course load or enrolling in specific courses. At the end of one payment period on financial aid probation, the student must meet the institution's satisfactory academic progress standards or meet the requirements of the academic plan developed by the institution and the student to qualify for further title IV, HEA program funds;

(9) If the institution permits a student to appeal a determination by the institution that he or she is not making satisfactory academic progress, the policy describes—

(i) How the student may reestablish his or her eligibility to receive assistance under the title IV, HEA programs;

(ii) The basis on which a student may file an appeal: The death of a relative, an injury or illness of the student, or other special circumstances; and

(iii) Information the student must submit regarding why the student failed to make satisfactory academic progress, and what has changed in the student's situation that will allow the student to demonstrate satisfactory academic progress at the next evaluation;

(10) If the institution does not permit a student to appeal a determination by the institution that he or she is not making satisfactory academic progress, the policy must describe how the student may reestablish his or her eligibility to receive assistance under the title IV, HEA programs; and

(11) The policy provides for notification to students of the results of an evaluation that impacts the student's eligibility for title IV, HEA program funds.

(b) *Definitions.* The following definitions apply to the terms used in this section:

*Appeal.* Appeal means a process by which a student who is not meeting the institution's satisfactory academic progress standards petitions the institution for reconsideration of the student's eligibility for title IV, HEA program assistance.

*Financial aid probation.* Financial aid probation means a status assigned by an institution to a student who fails to make satisfactory academic progress and who has appealed and has had eligibility for aid reinstated.

*Financial aid warning.* Financial aid warning means 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.

*Maximum timeframe.* Maximum timeframe means—

(1) For an undergraduate program measured in credit hours, a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours;

(2) For an undergraduate program measured in clock hours, a period that is 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; and

(3) For a graduate program, a period defined by the institution that is based on the length of the educational program.

(c) *Institutions that evaluate satisfactory academic progress at the end of each payment period.* (1) An institution that evaluates satisfactory academic progress at the end of each payment period and determines that a student is not making progress under its policy may nevertheless disburse title IV, HEA program funds to the student under the provisions of paragraph (c)(2), (c)(3), or (c)(4) of this section.

(2) For the payment period following the payment period in which the student did not make satisfactory academic progress, the institution may—

(i) Place the student on financial aid warning, and disburse title IV, HEA program funds to the student; or

(ii) Place a student directly on financial aid probation, following the procedures outlined in paragraph (d)(2) of this section and disburse title IV, HEA program funds to the student.

(3) For the payment period following a payment period during which a student was on financial aid warning, the institution may place the student on financial aid probation, and disburse title IV, HEA program funds to the student if—

(i) The institution evaluates the student's progress and determines that student did not make satisfactory academic progress during the payment period the student was on financial aid warning;

(ii) The student appeals the determination; and

(iii)(A) The institution determines that the student should be able to meet the institution's satisfactory academic progress standards by the end of the subsequent payment period; or

(B) The institution develops an academic plan for the student that, if followed, will ensure that the student is able to meet the institution's satisfactory academic progress standards by a specific point in time.

(4) A student on financial aid probation for a payment period may not receive title IV, HEA program funds for the subsequent payment period unless the student makes satisfactory academic progress or the institution determines that the student met the requirements specified by the institution in the academic plan for the student.

(d) *Institutions that evaluate satisfactory academic progress annually or less frequently than at the end of each payment period.* (1) An institution that evaluates satisfactory academic progress annually or less frequently than at the end of each payment period and determines that a student is not making progress under its policy may nevertheless disburse title IV, HEA program funds to the student under the provisions of paragraph (d)(2) or (d)(3) of this section.

(2) The institution may place the student on financial aid probation and may disburse title IV, HEA program funds to the student for the subsequent payment period if—

(i) The institution evaluates the student and determines that the student is not making satisfactory academic progress;

(ii) The student appeals the determination; and

(iii)(A) The institution determines that the student should be able to be make satisfactory academic progress during the subsequent payment period and meet the institution's satisfactory academic progress standards at the end of that payment period; or

(B) The institution develops an academic plan for the student that, if followed, will ensure that the student is able to meet the institution's satisfactory academic progress standards by a specific point in time.

(3) A student on financial aid probation for a payment period may not receive title IV, HEA program funds for the subsequent payment period unless the student makes satisfactory academic progress or the institution determines that the student met the requirements specified by the institution in the academic plan for the student.

(Authority: 20 U.S.C. 1091(d))

[75 FR 66953, Oct. 29, 2010]

### **§ 668.35 Student debts under the HEA and to the U.S.**

(a) A student who is in default on a loan made under a title IV, HEA loan program may nevertheless be eligible to receive title IV, HEA program assistance if the student—

(1) Repays the loan in full; or

(2) Except as limited by paragraph (c) of this section--

(i) Makes arrangements, that are satisfactory to the holder of the loan and in accordance with the individual title IV, HEA loan program regulations, to repay the loan balance; and

(ii) Makes at least six consecutive monthly payments under those arrangements.

(b) A student who is subject to a judgment for failure to repay a loan made under a title IV, HEA loan program may nevertheless be eligible to receive title IV, HEA program assistance if the student—

(1) Repays the debt in full; or

(2) Except as limited by paragraph (c) of this section--

(i) Makes repayment arrangements that are satisfactory to the holder of the debt; and

(ii) Makes at least six consecutive, voluntary monthly payments under those arrangements. Voluntary payments are those payments made directly by the borrower, and do not include payments obtained by Federal offset, garnishment, or income or asset execution.

(c) A student who reestablishes eligibility under either paragraph (a)(2) of this section or paragraph (b)(2) of this section may not reestablish eligibility again under either of those paragraphs.

(d) A student who is not in default on a loan made under a title IV, HEA loan program, but has inadvertently obtained loan funds under a title IV, HEA loan program in an amount that exceeds the annual or aggregate loan limits under that program, may nevertheless be eligible to receive title IV, HEA program assistance if the student--

(1) Repays in full the excess loan amount; or

(2) Makes arrangements, satisfactory to the holder of the loan, to repay that excess loan amount.

(e) Except as provided in 34 CFR 668.22(h), a student who receives an overpayment under the Federal Perkins Loan Program, or under a title IV, HEA grant program, may nevertheless be eligible to receive title IV, HEA program assistance if--

(1) The student pays the overpayment in full;

(2) The student makes arrangements satisfactory to the holder of the overpayment debt to pay the overpayment;

(3) The overpayment amount is less than \$25 and is neither a remaining balance nor a result of the application of the overaward threshold in 34 CFR 673.5(d); or

(4) The overpayment is an amount that a student is not required to return under the requirements of Sec. 668.22(h)(3)(ii)(B).

(f) A student who has property subject to a judgement lien for a debt owed to the United States may nevertheless be eligible to receive title IV, HEA program assistance if the student--

(1) Pays the debt in full; or

(2) Makes arrangements, satisfactory to the United States, to pay the debt.

(g) (1) A student is not liable for a Federal Pell Grant overpayment received in an award year if the institution can eliminate that overpayment by adjusting subsequent Federal Pell Grant payments in that same award year.

(2) A student is not liable for an ACG overpayment received in an award year if--

(i) The institution can eliminate that overpayment by adjusting subsequent title IV, HEA program (other than Federal Pell Grant, ACG, or National SMART Grant) payments in that same award year; or

(ii) The institution cannot eliminate the overpayment under paragraph (g)(2)(i) of this section but can eliminate that overpayment by adjusting subsequent ACG payments in that same award year.

(3) A student is not liable for a National SMART Grant overpayment received in an award year if--

(i) The institution can eliminate that overpayment by adjusting subsequent title IV, HEA program (other than Federal Pell Grant, ACG, or National SMART Grant) payments in that same award year; or

(ii) The institution cannot eliminate the overpayment under paragraph (g)(3)(i) of this section but can eliminate that overpayment by adjusting subsequent National SMART Grant payments in that same award year.

(4) A student is not liable for a TEACH Grant overpayment received in an award year if--

(i) The institution can eliminate that overpayment by adjusting subsequent title IV, HEA program (other than Federal Pell Grant, ACG, National SMART Grant, or TEACH Grant) payments in that same award year; or

(ii) The institution cannot eliminate the overpayment under paragraph (g)(4)(i) of this section but can eliminate that overpayment by adjusting subsequent TEACH Grant payments in that same award year.

(5) A student is not liable for a FSEOG or LEAP overpayment or Federal Perkins loan overpayment received in an award year if the institution can eliminate that overpayment by adjusting subsequent title IV, HEA program (other than Federal Pell Grant) payments in that same award year.

(h) A student who otherwise is in default on a loan made under a title IV, HEA loan program, or who otherwise owes an overpayment on a title IV, HEA program grant or Federal Perkins loan, is not considered to be in default or owe an overpayment if the student--

(1) Obtains a judicial determination that the debt has been discharged or is dischargeable in bankruptcy; or

(2) Demonstrates to the satisfaction of the holder of the debt that--

(i) When the student filed the petition for bankruptcy relief, the loan, or demand for the payment of the overpayment, had been outstanding for the period required under 11 U.S.C. 523(a)(8)(A), exclusive of applicable suspensions of the repayment period for either debt of the kind defined in 34 CFR 682.402(m); and

(ii) The debt otherwise qualifies for discharge under applicable bankruptcy law; and

(i) In the case of a student who has been convicted of, or has pled nolo contendere or guilty to a crime involving fraud in obtaining title IV, HEA program assistance, has completed the repayment of such assistance to:



- (1) The Secretary; or
- (2) The holder, in the case of a title IV, HEA program loan.

(Authority: 20 U.S.C. 1070g, 1091; 11 U.S.C. 523, 525)

[60 FR 61810, Dec. 1, 1995, as amended at 65 FR 38729, June 22, 2000; 67 FR 67073, Nov. 1, 2002; 71 FR 38003, July 3, 2006; 71 FR 45696, Aug. 9, 2006; 71 FR 64397, Nov. 1, 2006; 73 FR 35493, June 23, 2008]

### **§ 668.36 Social Security number.**

(a)(1) Except for residents of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, the Secretary attempts to confirm the social security number a student provides on the Free Application for Federal Student Aid (FAFSA) under a data match with the Social Security Administration. If the Social Security Administration confirms that number, the Secretary notifies the institution and the student of that confirmation.

(2) If the student's verified social security number is the same number as the one he or she provided on the FAFSA, and the institution has no reason to believe that the verified social security number is inaccurate, the institution may consider the number to be accurate.

(3) If the Social Security Administration does not verify the student's social security number on the FAFSA, or the institution has reason to believe that the verified social security number is inaccurate, the student can provide evidence to the institution, such as the student's social security card, indicating the accuracy of the student's social security number. An institution must give a student at least 30 days, or until the end of the award year, whichever is later, to produce that evidence.

(4) An institution may not deny, reduce, delay, or terminate a student's eligibility for assistance under the title IV, HEA programs because verification of that student's social security number is pending.

(b)(1) An institution may not disburse any title IV, HEA program funds to a student until the institution is satisfied that the student's reported social security number is accurate.

(2) The institution shall ensure that the Secretary is notified of the student's accurate social security number if the student demonstrates the accuracy of a social security number that is not the number the student included on the FAFSA.

(c) If the Secretary determines that the social security number provided to an institution by a student is incorrect, and that student has not provided evidence under paragraph (a)(3) of this section indicating the accuracy of the social security number, and a loan has been guaranteed for the student under the FFEL program, the institution shall notify and instruct the lender and guaranty agency making and guaranteeing the loan, respectively, to cease further disbursements of the loan, until the Secretary or the institution determines that the social security number provided by the student is correct, but the guaranty may not be voided or otherwise nullified before the date that the lender and the guaranty agency receive the notice.

(d) Nothing in this section permits the Secretary to take any compliance, disallowance, penalty or other regulatory action against—

(1) Any institution of higher education with respect to any error in a social security number, unless the error was the result of fraud on the part of the institution; or

(2) Any student with respect to any error in a social security number, unless the error was the result of fraud on the part of the student.

(Authority: 20 U.S.C. 1091)

### **§ 668.37 Selective Service registration.**

(a)(1) To be eligible to receive title IV, HEA program funds, a male student who is subject to registration with the Selective Service must register with the Selective Service.

(2) A male student does not have to register with the Selective Service if the student—

(i) Is below the age of 18, or was born before January 1, 1960;

(ii) Is enrolled in an officer procurement program the curriculum of which has been approved by the Secretary of Defense at the following institutions:

(A) The Citadel, Charleston, South Carolina;

(B) North Georgia College, Dahlonega, Georgia;

(C) Norwich University, Northfield, Vermont; or

(D) Virginia Military Institute, Lexington, Virginia; or

(iii) Is a commissioned officer of the Public Health Service or a member of the Reserve of the Public Health Service who is on active duty as provided in section 6(a)(2) of the Military Selective Service Act.

(b)(1) When the Secretary processes a male student's FAFSA, the Secretary determines whether the student is registered with the Selective Service under a data match with the Selective Service.

(2) Under the data match, Selective Service reports to the Secretary whether its records indicate that the student is registered, and the Secretary reports the results of the data match to the student and the institution the student is attending.

(c)(1) If the Selective Service does not confirm through the data match, that the student is registered, the student can establish that he—

(i) Is registered;

(ii) Is not, or was not required to be, registered;

(iii) Has registered since the submission of the FAFSA; or

(iv) Meets the conditions of paragraph (d) of this section.

(2) An institution must give a student at least 30 days, or until the end of the award year, whichever is later, to provide evidence to establish the condition described in paragraph (c)(1) of this section.

(d) An institution may determine that a student, who was required to, but did not register with the Selective Service, is not ineligible to receive title IV, HEA assistance for that reason, if the student can demonstrate by submitting clear and unambiguous evidence to the institution that—

(1) He was unable to present himself for registration for reasons beyond his control such as hospitalization, incarceration, or institutionalization; or

(2) He is over 26 and when he was between 18 and 26 and required to register—

(i) He did not knowingly and willfully fail to register with the Selective Service; or

(ii) He served as a member of one of the U.S. Armed Forces on active duty and received a DD Form 214, "Certificate of Release or Discharge from Active Duty," showing military service with other than the reserve forces and National Guard.

(e) For purposes of paragraph (d)(2)(i) of this section, an institution may consider that a student did not knowingly and willfully fail to register with the Selective Service only if—

(1) The student submits to the institution an advisory opinion from the Selective Service System that does not dispute the student's claim that he did not knowingly and willfully fail to register; and

(2) The institution does not have uncontroverted evidence that the student knowingly and willfully failed to register.

(f)(1) A student who is required to register with the Selective Service and has been denied title IV, HEA program assistance because he has not proven to the institution that he has registered with Selective Service may seek a hearing from the Secretary by filing a request in writing with the Secretary. The student must submit with that request—

(i) A statement that he is in compliance with registration requirements;

(ii) A concise statement of the reasons why he has not been able to prove that he is in compliance with those requirements; and

(iii) Copies of all material that he has already supplied to the institution to verify his compliance.

(2) The Secretary provides an opportunity for a hearing to a student who—

(i) Asserts that he is in compliance with registration requirements; and

(ii) Files a written request for a hearing in accordance with paragraph (f)(1) of this section within the award year for which he was denied title IV, HEA program assistance or within 30 days following the end of the payment period, whichever is later.

(3) An official designated by the Secretary shall conduct any hearing held under paragraph (f)(2) of this section. The sole purpose of this hearing is the determination of compliance with registration requirements. At this hearing, the student retains the burden of proving compliance, by credible evidence, with the requirements of the Military Selective Service Act. The designated official shall not consider challenges based on constitutional or other grounds to the requirements that a student state and verify, if required, compliance with registration requirements, or to those registration requirements themselves.

(g) Any determination of compliance made under this section is final unless reopened by the Secretary and revised on the basis of additional evidence.

(h) Any determination of compliance made under this section is binding only for purposes of determining eligibility for title IV, HEA program assistance.

(Authority: 20 U.S.C. 1091 and 50 App. 462)

[60 FR 61812, Dec. 1, 1995, as amended at 61 FR 3776, Feb. 1, 1996]

### **§ 668.38 Enrollment in telecommunications and correspondence courses.**

(a) If a student is enrolled in correspondence courses, the student is eligible to receive title IV, HEA program assistance only if the correspondence courses are part of a program that leads to an associate, bachelor's, or graduate degree.

(b)(1) For purposes of this section, a student enrolled in a telecommunications course at an institution of higher education is not enrolled in a correspondence course.

(2) For purposes of paragraph (b)(1) of this section, an institution of higher education is one that is not an institute or school described in section 3(3)(C) of the Carl D. Perkins Vocational and Applied Technology Act of 1995.

(Authority: 20 U.S.C. 1091)

[60 FR 61810, Dec. 1, 1995, as amended at 64 FR 57358, Oct. 22, 1999; 71 FR 45696, Aug. 9, 2006]

### **§ 668.39 Study abroad programs.**

A student enrolled in a program of study abroad is eligible to receive title IV, HEA program assistance if—

(a) The student remains enrolled as a regular student in an eligible program at an eligible institution during his or her program of study abroad; and

(b) The eligible institution approves the program of study abroad for academic credit. However, the study abroad program need not be required as part of the student's eligible degree program.

(Authority: 20 U.S.C. 1091(o))

#### **§ 668.40 Conviction for possession or sale of illegal drugs.**

(a)(1) A student is ineligible to receive title IV, HEA program funds, for the period described in paragraph (b) of this section, if the student has been convicted of an offense under any Federal or State law involving the possession or sale of illegal drugs for conduct that occurred during a period of enrollment for which the student was receiving title IV, HEA program funds. However, the student may regain eligibility before that time period expires under the conditions described in paragraph (c) of this section.

(2) For purposes of this section, a conviction means only a conviction that is on a student's record. A conviction that was reversed, set aside, or removed from the student's record is not relevant for purposes of this section, nor is a determination or adjudication arising out of a juvenile proceeding.

(3) For purposes of this section, an illegal drug is a controlled substance as defined by section 102(6) of the Controlled Substances Act (21 U.S.C. 801(6)), and does not include alcohol or tobacco.

(b)(1) *Possession.* Except as provided in paragraph (c) of this section, if a student has been convicted—

(i) Only one time for possession of illegal drugs, the student is ineligible to receive title IV, HEA program funds for one year after the date of conviction;

(ii) Two times for possession of illegal drugs, the student is ineligible to receive title IV, HEA program funds for two years after the date of the second conviction; or

(iii) Three or more times for possession of illegal drugs, the student is ineligible to receive title IV, HEA program funds for an indefinite period after the date of the third conviction.

(2) *Sale.* Except as provided in paragraph (c) of this section, if a student has been convicted—

(i) Only one time for sale of illegal drugs, the student is ineligible to receive title IV, HEA program funds for two years after the date of conviction; or

(ii) Two or more times for sale of illegal drugs, the student is ineligible to receive Title IV, HEA program funds for an indefinite period after the date of the second conviction.

(c) If a student successfully completes a drug rehabilitation program described in paragraph (d) of this section after the student's most recent drug conviction, the student regains eligibility on the date the student successfully completes the program.

(d) A drug rehabilitation program referred to in paragraph (c) of this section is one which—

(1) Includes at least two unannounced drug tests; and

(2)(i) Has received or is qualified to receive funds directly or indirectly under a Federal, State, or local government program;

(ii) Is administered or recognized by a Federal, State, or local government agency or court;

(iii) Has received or is qualified to receive payment directly or indirectly from a Federally- or State-licensed insurance company; or

(iv) Is administered or recognized by a Federally- or State-licensed hospital, health clinic or medical doctor.

(Authority: 20 U.S.C. 1091(r))

[64 FR 57358, Oct. 22, 1999, as amended at 71 FR 45696, Aug. 9, 2006]