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# Competency-Based Education Reference Guide Table of Contents

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## ICON DEFINITIONS

Icons are a useful way of designating categories of information. The following icons are used throughout this guide:

### Checkpoint



Identifies an exercise, case study, or activity related to the topic of discussion.

### Reminder



Identifies an exercise, case study, or activity related to the topic of discussion.

### Required Policies and Procedures



Used to highlight important reminders such as deadlines, processes or waivers—especially those that reflect an administrative capability issue or regulation.

## THE ESI TEAM

The Experimental Sites Team can provide guidance about the implementation of the Experiments on your campus. Guidance includes but is not limited to:

- ▶ Technical assistance
- ▶ Reporting requirements
- ▶ Understanding the specific waivers provided under the experiment
- ▶ Required policies, procedures and other documentation
- ▶ Implementation of ESI Action Plans

Should you have questions regarding the experiments or the ESI website, please send a message to the ESI Mailbox ([ExperimentalSites@ed.gov](mailto:ExperimentalSites@ed.gov)). Each individual experiment has a lead ESI staff member assigned for Technical Assistance. For the CBE experiment, the technical assistance lead is Michael Cagle. You can contact Michael using the contact information below.

### EXPERIMENTAL SITES TEAM

| Name          | Email  | Phone        | Location |
|---------------|--|--------------|----------|
| Michael Cagle | <a href="mailto:Michael.Cagle@ed.gov">Michael.Cagle@ed.gov</a>         | 206-615-2586 | Seattle  |
| Warren Farr   | <a href="mailto:Warren.Farr@ed.gov">Warren.Farr@ed.gov</a>             | 202-377-4380 | DC/UCP   |
| Craig Munier  | <a href="mailto:Craig.Munier@ed.gov">Craig.Munier@ed.gov</a>           | 202-377-4435 | DC/UCP   |
| David Rhodes  | <a href="mailto:David.Rhodes@ed.gov">David.Rhodes@ed.gov</a>           | 202-377-3066 | DC/UCP   |
| Anne Tuccillo | <a href="mailto:Anne.Tuccillo@ed.gov">Anne.Tuccillo@ed.gov</a>         | 202-377-4378 | DC/UCP   |
| ESI Mailbox   | <a href="mailto:ExperimentalSites@ed.gov">ExperimentalSites@ed.gov</a> |              |          |



## WAIVERS AND MODIFIED REQUIREMENTS IN THE CBE EXPERIMENT

The CBE Experiment provides a number of waivers and modifications to statutory and regulatory requirements for providing Title IV aid to students.

### Definitions

*Current rules* refer to existing regulatory and statutory requirements for the administration of Title IV aid.

*Waivers* are specific legal provisions that will not be in effect for institutions participating in this experiment.

*Modifications* are alternative requirements that participating institutions must follow in lieu of provisions that are waived under the experiment.

### Waivers and Modifications

Both the waivers and modifications to Title IV legal requirements under the CBE experiment will be described in greater detail in Sections 3, 4, and 5 of this guide. Please note that participating institutions must continue to comply with any legal requirements that are not waived or modified under the experiment.

Participating institutions must choose one of three sets of waivers provided under the CBE Experiment. Each set of waivers is summarized below.

### Split Disbursement

The “CBE Split Disbursement” set of waivers is described in Section 3 of the CBE Experiment Reference Guide. The Split Disbursement set of waivers:

- ▶ Modifies the timing of disbursements for all of the Title IV aid programs to permit institutions to disburse aid for direct costs as a student completes competencies and to disburse aid for indirect costs over a period of calendar time.
- ▶ Modifies the definition of a payment period in a non-term program to permit two different types of payment periods—direct cost payment periods and indirect cost payment periods—and limit the duration of payment periods to 25% of an academic year.
- ▶ Waives and modifies the calculation of a Pell Grant under Formula 4, which is used for non-term programs, to allow the calculation of Pell Grant disbursements to align with the modified definition of payment periods. This modification governs the treatment of the Iraq-Afghanistan Service Grant, which would be disbursed according to the modified disbursement method in this experiment.
- ▶ Modifies the schedule for applying grade level increases to annual loan limits for Direct Loans. Under the current rules, a student in a non-term program proceeding at an accelerated pace cannot receive the increases in loan limits reflecting progress from one academic year to the next until the student completes both the credit hours, clock hours, or the equivalents in the academic year and the weeks of instruction in the academic year. Under this experiment, an accelerating student can receive the difference between the first and second academic year annual loan limits during the first academic year if he or she has already completed the credit or clock hours or learning equivalents for the first academic year, even if the student has not completed the number of weeks of instruction comprising the first academic year.

- ▶ Modifies the requirements for progressing to a new annual loan limit for Direct Loans. Under the current rules, a student in a non-term program may receive a new annual loan limit only when the student completes the hours and weeks in the academic year. Under this Experiment, a new annual loan limit can begin upon completion of the weeks in the academic year without regard to whether the student has completed the credit hours, clock hours, or the equivalents in the academic year, although the Direct Cost portion of the new annual loan limit may not be disbursed until the credit hours, clock hours, or the equivalents have been completed.
- ▶ Modifies rules for disbursement timing for the campus-based and TEACH programs to be consistent with the experimental disbursement method.
- ▶ Waives specific R2T4 requirements.
- ▶ Modifies the requirements for evaluation of satisfactory academic progress to permit a measurement of a student's pace as an amount completed over a period of calendar time.

### Satisfactory Academic Progress Only

The “CBE Satisfactory Academic Progress Only” (CBE SAP Only) set of waivers is described in Section 4 of the CBE Experiment Reference Guide. The CBE SAP Only set of waivers modifies the requirements for evaluation of satisfactory academic progress to permit a measurement of a student's pace as an amount completed over a period of calendar time.

### Subscription Period Disbursement

The CBE Subscription Period Disbursement set of waivers is described in Section 5 of the CBE Experiment Reference Guide. The Split Disbursement set of waivers:

- ▶ Modifies the definition of a payment period in a term-based program to permit an institution with a CBE program that charges using subscription periods to treat each subscription period as a standard or nonstandard term, and to allow the coursework undertaken in such a term to begin before the term begins.
- ▶ Modifies the requirements for evaluation of satisfactory academic progress to permit a measurement of a student's pace as an amount completed over a period of calendar time, to require an evaluation of a student's progress after each subscription period, and to create two different evaluations: an evaluation that measures a student's cumulative progress in his or her program and an evaluation that measures a student's progress in the prior subscription period.
- ▶ Modifies the requirements for disbursement of Direct Loan funds in programs with nonstandard terms that are not substantially equal to require that an institution calculate and make Direct Loan disbursements in such programs in accordance with the provisions of Pell Grant Formula 3.

## Responsibilities of Institutional Offices

### 34 CFR 668.16(b)(1) and (4) Standards of administrative capability

Administering Federal student aid is an institutional responsibility.

Implementing the experiments will require coordination amongst various offices on your campus. Although schools are exempt from certain parts of the regulations, you are required to adhere to all other Title IV requirements.

Institutions should view participating in ESI as a collaborative effort; one that will mean working with other offices at your institution, such as the Financial Aid Office, Business Office, Faculty, Registrar, Admissions, Communications, and the President's Office. You may have other offices on your campus that you will work with. Other groups you may partner with will be your accrediting agency, vendors, state agencies and other policy stakeholders.

Participating institutions will be required to establish modified policies and procedures in order to follow the modified requirements under the experiment. For audit purposes, an institution must clearly document its modified policies and procedures, including the date that the modified procedures will first apply and the programs that the procedures will apply to.



Reminder!

**It is important that you read the amended Program Participation Agreement thoroughly. Although schools are exempt from certain parts of the regulations, you are required to adhere to all other Title IV requirements.**



Checkpoint!

**Schools should use the following checklist to begin participation in the experiment:**

| Action  | Status |
|---|--------|
| Your school has contacted the offices that are directly affected by this experiment.  |        |
| Everyone involved in administering the experiment has read and fully understands the waivers and modifications for this experiment. |        |
| Teams have been established to begin working out the details of the experiment.   |        |



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# Introduction to Competency-Based Education

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## WHAT IS COMPETENCY-BASED EDUCATION?

There are many types of competency-based education (CBE) programs, and there is currently no Federal definition for these educational methods. However, in general, a CBE program is one that organizes content according to what a student knows and can do, often referred to as a “competency.” CBE programs also generally have very clear claims for student learning, stress what students can do with the knowledge and skills they acquire, and have assessments that provide measurable evidence of competency. Student progress is determined by mastery of each competency. Because CBE focuses on whether students have mastered these competencies, there is a focus on learning outcomes rather than time spent in a classroom.

The Department encourages innovation in this experiment. It intends to take an expansive view in considering whether a program constitutes CBE and to minimize existing limitations on how programs must be provided to the extent possible.

## HOW DO I KNOW IF MY PROGRAM IS A COMPETENCY-BASED EDUCATION PROGRAM?

The Department relies in part on institutions and accrediting agencies to determine whether a program constitutes CBE. Therefore, in order for an institution to participate in this experiment, one or more of its programs must be approved, recognized, or designated as a CBE program by the institution’s accrediting agency. More information about this process is provided in Section 2.

## CAN COMPETENCY-BASED EDUCATION PROGRAMS BE OFFERED USING CREDIT OR CLOCK HOURS?

Yes, CBE may be offered using credit hours or clock hours. A program that is organized by competency, but measures student progress using clock or credit hours, is a CBE program, but not a direct assessment program. A CBE program offered using credit or clock hours is subject to Federal requirements for the definitions of credit hours and clock hours.

The definition of a credit hour in the regulations at [34 CFR 600.2](#) includes a provision that allows an institution to establish credit hours in a CBE program that are based on an amount of expected educational activity that reasonably approximates not less than one hour of classroom instruction and two hours of out of class work each week. An institution’s policies for establishing credit hours in its CBE programs for Title IV purposes must be consistent with these requirements. An institution’s policies for establishing credit hours for a CBE program must meet all requirements and standards set by the institution’s accrediting agency.

The regulations at [34 CFR 600.2](#) define a clock hour. A clock hour is a period of time consisting of:

- ▶ A 50- to 60-minute class, lecture, or recitation in a 60-minute period;
- ▶ A 50- to 60-minute faculty-supervised laboratory, shop training, or internship in a 60-minute period; or
- ▶ Sixty minutes of preparation in a correspondence course.

A CBE program that measures progress in clock hours must meet this definition.

## WHAT IS DIRECT ASSESSMENT?

Unlike CBE programs offered in credit or clock hours, there is a specific Federal definition for direct assessment programs. A direct assessment program is an instructional program that, in lieu of credit hours or clock hours as measures of student learning, utilizes direct assessment of student learning, or recognizes the direct assessment of student learning by others. The assessment must be consistent with the accreditation of the institution or program utilizing the results of the assessment.

Direct assessment of student learning means a measure by the institution of what a student knows and can do in terms of the body of knowledge making up the educational program. These measures provide evidence that a student has mastered a specific subject, content area, or skill or that the student demonstrates a specific quality such as creativity, analysis or synthesis associated with the subject matter of the program. Examples of direct measures include projects, papers, examinations, presentations, performances, and portfolios.

Student progress is measured solely using direct assessment. Therefore, unlike a CBE program measured in credit or clock hours, a direct assessment program does not specify the level of educational activity in which a student is expected to engage in order to complete the program. However, because a direct assessment program does not utilize credit or clock hours as a measure of student learning, an institution must establish a methodology to reasonably equate the direct assessment program (or the direct assessment portion of any program, as applicable) to credit or clock hours for the purpose of complying with applicable regulatory requirements.

Note that even though student progress in a direct assessment program is measured without credit or clock hours, an institution may still provide credit or clock hour equivalents on a student's transcript in order to facilitate the transfer of credit to other institutions. In such a case, institutional policies, publications and consumer information must be clear in specifying that the program is a direct assessment program rather than a clock or credit hour program.

**Before an institution may provide Title IV aid to students in a direct assessment program, that program must be approved under the regulatory provisions at 34 CFR 668.10. More information about this process is provided in Section 2.**



## References and Resources

### Federal Register

July 31, 2014 Federal Register

### ESI Website

<http://ExperimentalSites.ed.gov>

- CBE Action Plan

### Dear Colleague Letters

Dear Colleague Letter - [GEN-14-23 Competency-Based Education Programs - Q & A](#)

Dear Colleague Letter - [GEN-13-10 Applying for Title IV Eligibility for Direct Assessment \(Competency-Based\) Program](#)





## PROGRAM PARTICIPATION AGREEMENT (PPA) AMENDMENT

In order to participate in an experiment under the Experimental Sites Initiative, an institution must agree to amend its Program Participation Agreement (PPA) with the Department. The PPA is the contract between the institution and the Department in which the institution agrees to abide by the rules and regulations of the Title IV, HEA programs. A school does not begin participation in the experiment until its PPA amendment is executed by the Department.

The school will receive an amendment to its PPA. Once you receive this amendment, please carefully review it so that you understand your commitment to participate in this experiment. You will need to obtain the required signatures and return the signed Amendment to FSA via courier service.

FSA sends the school a countersigned amendment to the PPA. The school must keep this countersigned amendment on file.

Your school cannot begin disbursing aid under the experiment until:

- ▶ The school receives an official invitation from FSA to participate in the experiment;
- ▶ The school accepts the invitation;
- ▶ A school official – the school's president, chief executive officer, or chancellor – signs and returns the required amendment to the PPA;
- ▶ Credit or clock hour CBE programs are approved or recognized as CBE programs by the institution's accrediting agency;
- ▶ Direct assessment programs are approved by the institution's accrediting agency;
- ▶ Eligible CBE programs are reported on the E-App and approved by the Department.



**Auditors and Program Reviewers will ask for a copy of your PPA and addendum. Your school should know where your PPA and addendum are located and ensure that it is readily available in case a Reviewer or Auditor asks for it.**



| Question   | Yes/No | Notes |
|--|--------|-------|
| Do you know where the PPA and addendum is located for your school?   |        |       |
| Is the PPA addendum safely stored and accessible? Explain where the PPA is safely stored and how it is easily accessible in the event the institution is asked to provide a copy to a Program Reviewer or Auditor. |        |       |

## REPORTING COMPETENCY-BASED EDUCATION PROGRAMS TO FSA

Programs that the institution wishes to include in the CBE experiment must be reported on the Application for Approval to Participate in the Federal Financial Aid Programs (E-App).

When your CBE program has been approved or designated as a CBE program by your accreditor, you must update your E-App with the CBE program(s) that you intend to include in the experiment. You must add those programs in Section E. Be sure to include “- CBE” in the title of the program. If the program is already reported on the E-App as a regular program and you now want to include that program in the experiment, you must add “- CBE” to the name of the program in Section E.

It is important to note that at least one academic year of the program must be offered solely through Competency-Based Education. To certify the program meets this requirement, you must indicate this using Section K, Question 69 on the E-App. You must also indicate if the program is offered in clock or credit hours or via direct assessment.

| Instructions for adding CBE Programs to E-App |  |   |
|---|--|---|
| <b>1</b>                                      | Add new CBE Programs to Section E of E-App that you intend to include in Experiment.   | “-CBE” must be included in the title.<br><br>Example: ENGLISH-CBE |
| <b>2</b>                                      | If the program is already reported on the E-App as a regular program and you now wish to include that program in the experiment, you must add “-CBE” to the name of the program in Section E.  | “-CBE” must be included in the title.<br><br>Example: ENGLISH-CBE |
| <b>3</b>                                      | If the program is also in the Limited Direct Assessment Experiment you must also add “-LDA” to the name of the program in Section E.   | Example: ENGLISH-CBE-LDA  |
| <b>4</b>                                      | It is important to note that at least one academic year of the program must be offered solely through Competency-Based Education. To certify the program meets this requirement, you must indicate this using Section K, Question 69 on the E-App. |   |
| <b>5</b>                                      | You must also indicate if the program is offered in clock or credit hours or via direct assessment using Section K, Question 69 on the E-App.  |   |

**CHECKPOINT**

Test your understanding by answering the question after the following two scenarios. Answers provided on page 2-8.

**Scenario 1**

You received notification from your accreditor that your **Information Science & Technology** CBE program has been approved and you need to enter it in the E-App system. The program is already reported on the E-App as a regular program and you now wish to include that program in the experiment.

**How would it appear in Section E of the E-App?**

**What would you need to enter in to Section K, Question 69 of the E-App?**

**Scenario 2**

You received notification from your accreditor that your **Art & Design** CBE and LDA programs have been approved and you need to enter them in the E-App system. The programs are not reported on the E-App and you now wish to include those programs in the experiment.

**How would it appear in Section E of the E-App?**

**What would you need to enter in to Section K, Question 69 of the E-App?**

## DOCUMENTATION REQUIREMENTS FOR PARTICIPATING INSTITUTIONS

To begin participating in either of the experiments, an institution will need to provide documentation of its accrediting agency's activities. The documentation required depends, in part, on the type of CBE program that the institution offers.

To include a course/credit or a direct assessment program in either of the experiments, an institution must provide documentation to the Department that its accrediting agency has evaluated and approved its general approach to CBE as part of an initial accreditation, renewal of accreditation, or substantive change evaluation.

To include a course/credit CBE program in either of the experiments, an institution must provide documentation to the Department that its program(s) are recognized as CBE programs by its accrediting agency (to include the specific elements related to the institution's approach to CBE as stated in the "Overview" above) and are approved and/or included in the institution's grant of accreditation.

To include a direct assessment program in either of the experiments, the institution must provide documentation to the Department that:

- For a program where 50% or more of the program can be completed using direct assessment, the program and the institution's claim of equivalence in terms of credit or clock hours has been approved by the institution's accrediting agency; or
- For a program where less than 50% of the program can be completed using direct assessment, the program is included in the institution's grant of accreditation, and the program is recognized as a CBE program by its accrediting agency.

### Chart of Required Documentation

| Type of Program                           | Documentation Required from Participating Institutions |   |                                       |
|---|--|---|---------------------------------------|
| Course/Credit CBE Program                 | Agency's evaluation of institution's approach to CBE   | Program's inclusion in institution's grant of accreditation       | Agency's recognition as a CBE program |
| Direct Assessment Program – 50% or more   | Agency's evaluation of institution's approach to CBE   | Agency's approval of DA program and clock/credit hour equivalency |                                       |
| Direct Assessment Program – less than 50% | Agency's evaluation of institution's approach to CBE   | Program's inclusion in institution's grant of accreditation       | Agency's recognition as a CBE program |

## POLICIES AND PROCEDURES

## P&P

Policies & Procedures for the CBE experiment must address the following:

| Policy Topic              | Required policy & procedure   | Date procedure updated |
|---------------------------|---|------------------------|
| Institutional Eligibility | <p>The institution must include procedures to ensure and document that any CBE program offered under the experiment has been evaluated and is recognized or approved as a competency-based education program by its accrediting agency. The institution must also include procedures to ensure and document that the institution's approach to CBE has been evaluated and approved by its accrediting agency, including, as applicable, any "substantive change" requirements in accordance with the regulations at <a href="#">34 CFR 602.22</a>, and:</p> <ul style="list-style-type: none"> <li>► If the CBE program measures students' progress in credit or clock hours, the institution's accrediting agency has determined that the institution's assignment of credit or clock hours in the program conforms with general practice in higher education; or</li> <li>► If approved by the Department to provide a direct assessment program, the clock or credit hour equivalencies for the competencies in that program have been approved by the institution's accrediting agency and the Department under the regulations at <a href="#">34 CFR 668.10</a>.</li> </ul> <p>Finally, the institution must include procedures to ensure and document that the program has been evaluated and approved for Title IV eligibility by the Department before the institution begins disbursing Title IV aid under the experiment.</p> |                        |

| Policy Topic   | Required policy & procedure  | Date procedure updated |
|--|--|------------------------|
| Academic Year  | The institution must ensure that the defined academic year for a semester-based or trimester-based CBE program under the experiment includes a minimum of 24 semester hours and a quarter-based program's academic year must include a minimum of 36 quarter hours. The institution must ensure that the academic year in a direct assessment program using credit hour equivalencies includes competencies equivalent to an amount of learning associated with a minimum of 24 semester hours or 36 quarter hours and at least 30 weeks of instructional time. The institution must ensure that the academic year in a direct assessment program using clock hour equivalencies includes competencies equivalent to an amount of learning associated with a minimum of 900 clock hours and at least 26 weeks of instructional time. The institution's policy must establish clock or credit hour equivalencies for each of the CBE program's required competencies.   |                        |
| Disbursement for Direct and Indirect Costs                               | The institution's procedures must separate the components of the student's Title IV COA into two categories, one for "direct costs" (i.e., tuition and fees and books and supplies) and the other for "indirect costs" (such as room and board, transportation, miscellaneous expenses).   |                        |
| Payment Periods  | The institution's procedures must ensure that Title IV aid be disbursed to students under the "non-term" provisions of the regulations, except that institutions must shorten the length of the CBE program's payment period from 50 percent of the program's defined "academic year" to no more than 25 percent of the academic year. Since aid for direct and indirect costs will be decoupled, there must be two separate Title IV payment periods. The institution's procedures must ensure that a direct cost payment period is based on the student's completion of no more than 25 percent of the competencies in the program's Title IV academic year. Further, the school's procedures must ensure that an indirect cost payment period is based on the student's completion of no more than 25 percent of the number of weeks of instructional time in the program's Title IV academic year.   |                        |
| Weeks of Instruction, Educational Activities and Substantive Interaction | <p>The institution's policy must ensure that a week of instructional time is any seven-day period in which the institution makes available to the students enrolled in the CBE program the instructional materials and faculty support to enable the student to engage in an educational activity. The policy must also ensure that an educational activity includes, but is not limited to, participating in regularly scheduled learning sessions (where there is an opportunity for direct interaction between the student and the faculty member), participation in faculty-guided independent study (as defined in <a href="#">34 CFR 668.10(a)(3)(iii)</a>, consultations with a faculty mentor to discuss academic course content, or, in combination with any of the foregoing, assessments. For direct assessment programs only, educational activity also includes development of an academic action plan developed in consultation with a qualified faculty member that addresses competencies identified by the institution.</p> <p>The institution must include a process that ensures regular and substantive interaction between students and instructors.</p> <p>Further, the institution must include a process that may not allow Title IV aid to be paid for academic credits resulting from successful assessments of prior learning where the learning was not based on instruction provided during the payment period.</p> |                        |

| Policy Topic                                  | Required policy & procedure  | Date procedure updated |
|---|--|------------------------|
| Withdrawals and the Return of Title IV (R2T4) | <p>The institution is not required to perform a calculation when a student withdraws during a payment period. However, the institution must include procedures to cancel or return all aid for a student who does not begin attendance in a payment period, and to withdraw a student who ceases to be academically engaged for 45 days, or fails to enroll in any competencies for 45 days. These procedures must ensure that no further Title IV aid is disbursed to such students. Further, the institution must include procedures to comply with regulations for late disbursements under 34 <a href="#">CFR 668.164(g)</a>, except insofar as post-withdrawal disbursements will not be calculated in accordance with 34 <a href="#">CFR 668.22(e)</a>. The institution must include procedures to ensure that within 45 days of determining that a student has withdrawn, it notifies the student of any loan funds for which the student might be eligible and maintains a process for issuing those funds to the student or the student's account upon request. Likewise, the institution must include procedures to pay to a student any grant funds that the student was eligible to receive at the time of the withdrawal, and comply with the requirements in 34 <a href="#">CFR 668.21</a> to return funds for a payment period in which a student did not begin attendance.</p> |                        |
| Satisfactory Academic Progress (SAP)          | <p>The institution's SAP policy for CBE programs under the experiment must evaluate a student's SAP upon the student's completion of each of the program's academic years, as measured in weeks of instructional time (i.e., at least 30 weeks for a program with credit hour equivalencies and at least 26 weeks for a program with clock hour equivalencies). The institution must include procedures to determine whether a student has completed sufficient competencies to complete the program within the maximum time frame, for an undergraduate program, that is no more than 150% of the program's published length, as provided in the definition of "maximum timeframe" in the regulations at 34 <a href="#">CFR 668.34 (b)</a>. If the institution accepts any transfer credit to meet requirements of a student's program under the experiment, the institution's procedures should include whether it will prorate a student's maximum timeframe based on the number of transfer credits a student has received.</p>  |                        |

SYSTEMS



CHECKPOINT

Here are some questions to consider about what will need to be in place in order to implement the CBE experiment on your campus.

| Question  | Notes |
|---|-------|
| How will the additional requirements in this experiment impact the way you use technology at your institution?  |       |
| What system changes, if any, are necessary before you begin processing Title IV aid under the modified disbursement rules?  |       |
| If your system will not be used or modified for processing aid, how do you plan to handle these disbursements manually?   |       |
| If you have a separate system for academics and registration, how will this be impacted?  |       |
| This disbursement system may require greater tracking of student progress than you may have experienced before. How will you incorporate the need for closer tracking of student progress into your policies? |       |
| How have you consulted other offices – for example, your registrar or business office – at your institution about how this will work?   |       |

References and Resources



[Application for Approval to Participate in the Federal Student Financial Aid Programs \(E-App\)](#)

## ANSWER KEY

### Scenario 1

You received notification from your accreditor that your **Information Science & Technology** CBE program has been approved and you need to enter it in the E-App system. The program is already reported on the E-App as a regular program and you now wish to include that program in the experiment.

How would it appear in Section E of the E-App?

**Information Science & Technology-CBE**

What would you need to enter in to Section K, Question 69 of the E-App?

**At least one academic year of this program is offered solely through Competency-Based Education. This program is offered in credit hours.**

### Scenario 2

You received notification from your accreditor that your Art & Design LDA program has been approved and you need to enter it in the E-App system. The program is not reported on the E-App and you now wish to include this program in the CBE experiment.

How would it appear in Section E of the E-App?

**Art & Design-CBE-LDA**

What would you need to enter in to Section K, Question 69 of the E-App?

**At least one academic year of this program is offered solely through Competency-Based Education. This program is offered in credit hours.**



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# Modified Rules and Requirements: Split Disbursement

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The CBE Split Disbursement set of waivers provides numerous waivers and modifications to Federal requirements for how institutions provide Federal student aid to students enrolled in self-paced CBE programs. This Section places those changes in context and provides detailed instructions for how institutions must process Title IV aid under CBE Split Disbursement.

## OVERVIEW OF WAIVERS AND MODIFIED REQUIREMENTS

The CBE Split Disbursement set of waivers will provide limited waivers of certain statutory and regulatory requirements to remove some of the time-based restrictions to the disbursement of Title IV aid so that funds are available to students to pay institutional charges as they progress through a program at their own pace.

CBE Split Disbursement will allow for certain disbursements of Title IV aid for “direct costs” (institutional charges permitted as costs of attendance under HEA section 472) as soon as the student completes the competencies associated with a specified number of credit or clock hours or the equivalent, regardless of how many weeks of instructional time that have elapsed. Disbursements of Title IV aid for “indirect costs” (i.e. living expenses) will be made at regular intervals within the academic year related to the completion of a certain number of weeks of instruction.

CBE Split Disbursement will waive most Return of Title IV requirements, and will also modify the satisfactory academic progress (SAP) requirements to permit pace evaluations based on the number of competencies associated with a specified number of credit hours, clock hours, or equivalencies achieved over a period of calendar time.

This Section of the Guide will provide detailed information on the waivers and modifications to Title IV rules and regulations included in this experiment.

## APPLICATION AND VERIFICATION

There are no changes to the rules for application and verification under CBE Split Disbursement. Institutions should follow the requirements as described in the FSA Handbook, Application and Verification Guide.

## STUDENT ELIGIBILITY

### Satisfactory Academic Progress

#### Exemption: Satisfactory Academic Progress

**[HEA Section 484 \(c\)](#) and [34 CFR 668.34\(a\)\(3\)\(ii\),\(a\)\(5\)\(ii\), and \(b\)](#) Satisfactory academic progress requirements are waived with respect to the timeframe when the institution must determine SAP and the method for calculating pace.**

| Current Rules  | Experiment  |
|--|---|
| Must check annually to correspond with the end of a payment period but can check more often at the end of payment periods  | Must check at least once when the student finishes the weeks comprising the last indirect cost payment period in the program's Title IV academic year, but can check more often at the end of indirect cost payment periods |
| Quantitative evaluation determines whether a student is on pace to complete within 150% of normal time, and is calculated by dividing credits completed over credits attempted | Quantitative evaluation is whether student is on pace to complete the program within 150% of the program's published number of weeks of instruction   |

Volume 1, Chapter 1 of the FSA Handbook describes certain basic requirements for an institution's Satisfactory Academic Progress (SAP) policy. The Handbook notes that an institution's SAP policy must include both quantitative (time-based) and qualitative (grade-based) standards, and both standards must be reviewed at each evaluation point.

Regarding the qualitative component of a SAP evaluation, [Dear Colleague Letter GEN 14-23](#) clarifies the requirements for a SAP policy in a CBE program by noting that if an institution documents that the degree of mastery necessary to complete a competency in a CBE program equals or exceeds the equivalent of a "C" grade in a traditional program, then the institution may consider a student to have met the SAP qualitative measure as long as that student has an academic standing consistent with the institution's requirements for graduation from the program. CBE Split Disbursement does not change these basic SAP requirements as set forth in the FSA Handbook and DCL GEN 14-23.

CBE Split Disbursement **makes significant changes to the requirements for the quantitative (time-based) component of an institution's SAP evaluations. Under the CBE Experiment, the timeframe for performing a SAP evaluation is determined using the weeks of instructional time in the program's academic year, while the criteria for determining a student's pace is the number of credits, clock hours, or the equivalent that a student has completed over the timeframe for the evaluation.**



### **CBE Split Disbursement waives the following text in the handbook:**

The Handbook states that an institution must “calculate the pace at which a student is progressing by dividing the total number of hours the student has successfully completed by the total number he has attempted.”

Under the CBE Split Disbursement set of waivers an institution must evaluate a student’s SAP upon the student’s completion of each of the program’s academic years, as measured in weeks of instructional time (i.e., at least 30 weeks for a program with credit hour equivalencies and at least 26 weeks for a program with clock hour equivalencies). However, an institution may choose to evaluate a student’s SAP at the end of each indirect cost payment period. Under the CBE Split Disbursement set of waivers, if an institution evaluates a student’s SAP at the end of each indirect cost payment period, the institution may utilize a warning period if the student fails a single evaluation. Because the student must have completed the competencies associated with the number of credit hours, clock hours, or the equivalent in the prior payment period before Title IV aid can be disbursed for direct costs, when performing the SAP evaluation at the end of the academic year, institutions will not be required to determine the student’s SAP pace by dividing the number of hours the student has completed by the number of hours the student has attempted. Instead, the institution will determine whether the student has completed competencies associated with sufficient credit hours, clock hours, or the equivalent to complete the program within the maximum timeframe, that for an undergraduate program, is no more than 150 percent of the program’s published length, as provided in the definition of “maximum timeframe” in the regulations at [34 CFR 668.34\(b\)](#).

In other words, the institution will compare the credit hours, clock hours or equivalencies correlated with the competencies completed with the number of credit hours, clock hour or equivalencies the institution has established for purposes of ensuring, at that time, that the student is on pace to complete within the maximum timeframe.

An institution is also permitted to use a graduated completion percentage for each year of a program. For example, your policy can permit students to complete a lower percentage of coursework in the first academic year but require them to complete an increasing percentage in subsequent years so that they finish their program within 150% of normal time.

**Under CBE Split Disbursement a program’s maximum timeframe is expressed in calendar time. An institution may offer different versions of the same program (for example, a full-time version and a part-time version) with different maximum timeframes.**

### **Programs lasting one academic year or less**

Under the CBE Split Disbursement set of waivers if an institution offers a CBE program lasting one academic year or less, the institution’s SAP policy for that program must require an academic progress evaluation at the end of each indirect cost payment period.

### SAP Example 1

A student was enrolled in a CBE program.

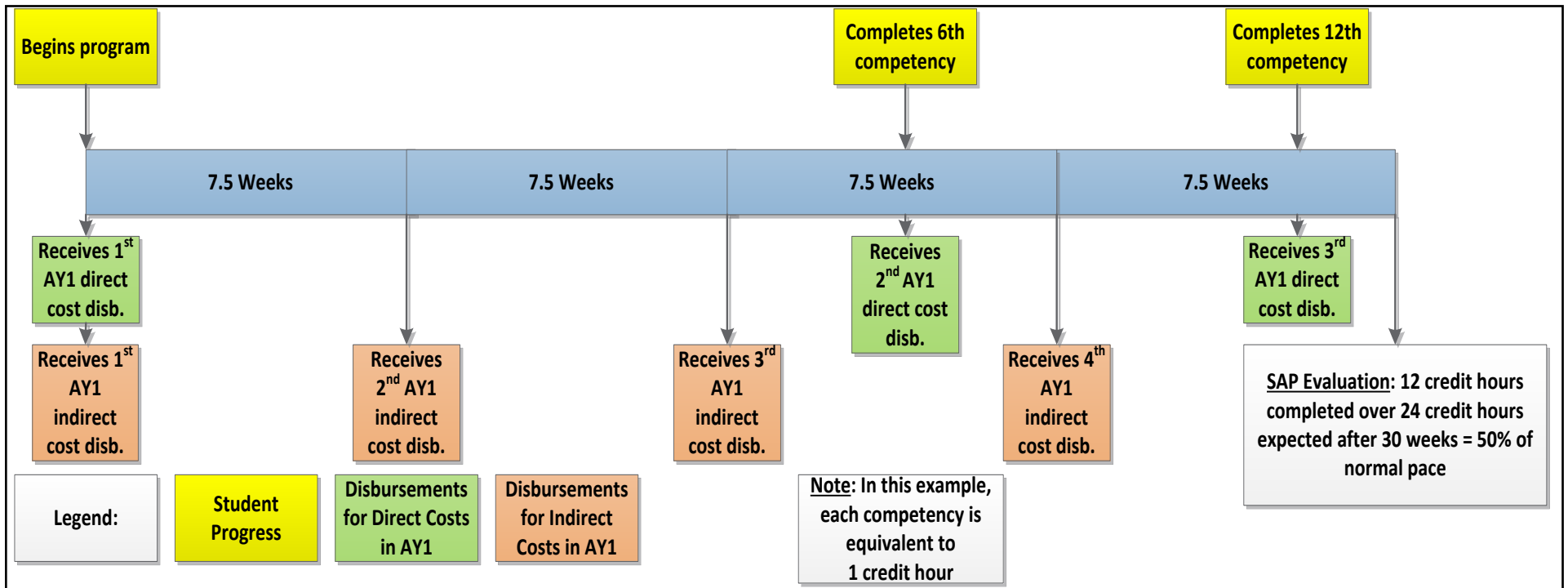
- 48 competencies
- Each competency is the equivalent of one credit hour
- The Title IV academic year consists of 24 competencies, which is equivalent to 24 credit hours, and 30 weeks of instructional time

The student received Title IV aid for each of the four indirect cost payment periods (i.e. after 7.5 weeks). The student has not completed at least 16 competencies at the end of the 30th week of instruction in the student's first year of the program. Because the institution does not use a graduated completion percentage, the institution would determine that the student is not on pace to complete the program within 150% of the published length of the program and would terminate their Title IV eligibility, subject to the possibility of an appeal.

Additionally, under this experiment, if the institution accepts any transfer credit to meet requirements of a student's program, it may, but is not required to, prorate the student's maximum timeframe based on the amount of transfer credit that the student has received.

Note that each box representing a disbursement below represents disbursements from all the Title IV programs for which the student is eligible.

## SAP Example 1



STOP. Student is not making SAP. Therefore, no further disbursements can be made unless student files an appeal according to institution's SAP policy.

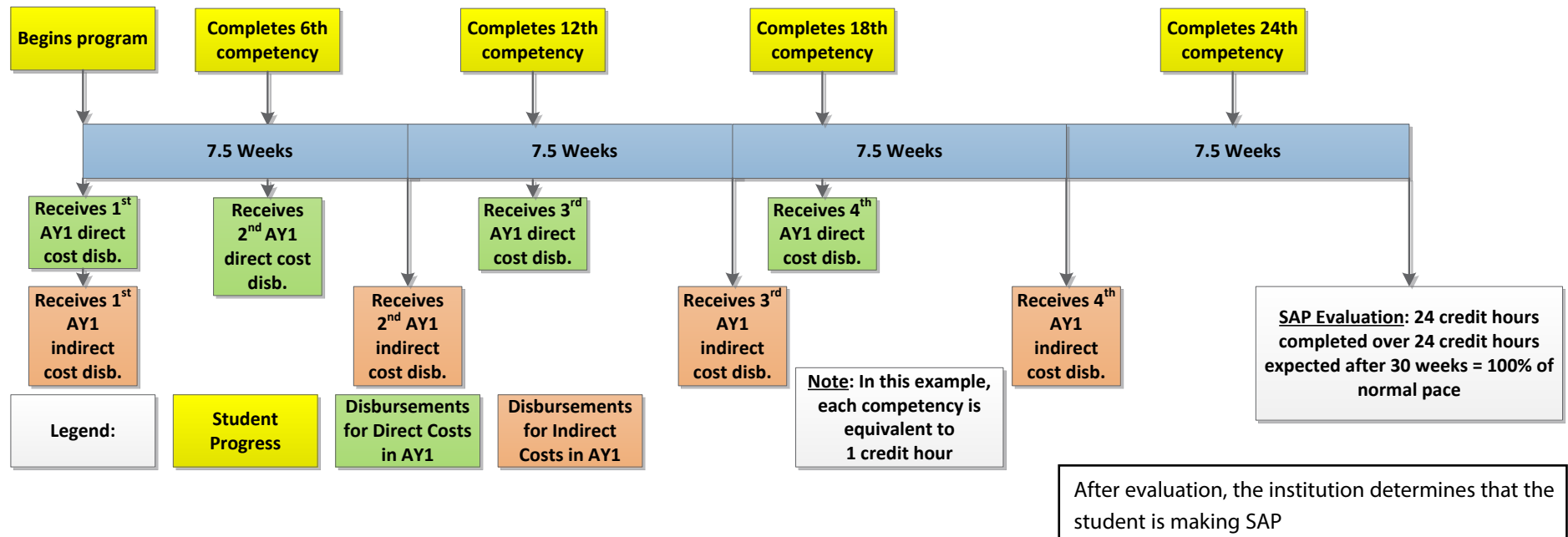
## SAP Example 2

A second student was enrolled in the same CBE program as above.

- 48 competencies
- Each competency is the equivalent of one credit hour
- The Title IV academic year consists of 24 competencies, which is equivalent to 24 credit hours, and 30 weeks of instructional time

The student received Title IV aid for each of the four indirect cost payment periods (i.e. after 7.5 weeks), and the student completed all 24 competencies in the academic year by the 28th week. Therefore, the the institution would determine that the student was making SAP.

Note that each box representing a disbursement below represents disbursements from all the Title IV programs for which the student is eligible.





## Checkpoint

| Question  | Yes | Description of Process |
|---|-----|------------------------|
| Have you consulted other offices – for example, your registrar or business office – at your institution about how SAP will work for the CBE Experiment?                     |     |                        |
| Is there a process in place to assist students who may not be on pace to complete the program within 150% of the normal time over a given calendar period?                  |     |                        |
| If the SAP rules in this experiment are different from your normal rules, will you need to go through your academic governance to make a change for CBE Split Disbursement? |     |                        |

## Enrollment status

Volume 1, Chapter 1 of the FSA Handbook describes the requirements for determining a student's enrollment status. Programs included in an institution's participation in CBE Split Disbursement must be considered nonterm programs, in which disbursements generally are calculated on the basis of full time enrollment.

However, note that in all academic programs, including programs using nonterm academic calendars, a student must be enrolled at least half time to receive aid from the Direct Subsidized/Unsubsidized and Direct PLUS Loan programs. In addition, a student's Pell Grant cost of attendance must be calculated differently if a student is enrolled less than half-time.

To be enrolled half time, a student must be taking at least half of the course load of a full-time student. Your school defines a full-time workload, but it must meet the minimum standards in the FSA regulations. In order for an institution to establish that a student's enrollment status is at least half-time in a nonterm program, the school must document the student's enrollment in – or intent to enroll in – coursework that is equivalent to at least half of the of the workload in the institution's definition of a full-time student over the weeks of instructional time in the academic year.

If the student is carrying less than a half-time workload and cannot or does not intend to attempt at least a half-time quantity of work within the remainder of the academic year, the institution must refrain from making additional disbursements of Direct Loan funds, and in calculating Pell disbursements adjust costs of attendance to reflect the less than half-time status.

Documentation of a student's "intent to enroll" could take the form of a written academic plan that is agreed to by both the student and the institution, but in that case the institution must also document the student's ability to enroll; for example, by ensuring that there are sufficient course offerings available for the student to enroll in sufficient hours or the equivalent for half-time status.

As with any other determination of enrollment status, such a determination would need to be made when the institution awards aid to the student (in order to determine an accurate cost of attendance), when an institution originates a Direct Loan or awards a Pell Grant, and each time the institution disburses Pell Grant or Direct Loan funds to the student.

All other requirements described in Volume 1 of the FSA Handbook remain in effect for institutions participating in CBE Split Disbursement.



### Checkpoint

| Question   | Yes | Description of Process |
|--|-----|------------------------|
| Do you have a process to document a student's Enrollment Status? Explain how you document the enrollment status of students. |     |                        |

## SCHOOL ELIGIBILITY AND OPERATIONS

Institutions participating in CBE Split Disbursement must follow a modified process for applying to the Department to include educational programs. That process is described in greater detail in Section 2 of this Guide.

### *Program Participation Agreement*

Volume 2, Chapter 1 of the FSA Handbook describes the Program Participation Agreement (PPA) and the process for executing that agreement. Section 2 of this Guide (page 1) describes the additional requirement under CBE Split Disbursement that the institution execute an amendment to its PPA, which must be signed by the school's president, chief executive officer, or chancellor, and an authorized representative of the Secretary of Education, before the institution may participate in CBE Split Disbursement.

### *Direct Assessment Programs*

Volume 2, Chapter 2 also provides a definition for a "direct assessment program" and describes the requirements for such programs. Participation in CBE Split Disbursement does NOT change any of the requirements for offering a direct assessment program.





## Reminder

An institution may participate in both the CBE Experiment (including the CBE Split Disbursement set of waivers) and also the Limited Direct Assessment (LDA) Experiment – an institution’s participation in the LDA experiment would alter the requirements for a direct assessment program. Please see the [July 31, 2014 Federal Register Notice](#) for additional information.

### *Regular and Substantive Interaction*

Volume 2, Chapter 2 of the FSA Handbook describes the requirements for a distance education program, including the requirement that a distance education program support regular and substantive interaction between the students and instructors. Only programs that require regular and substantive interaction may participate in the Competency-Based Education experiment. We do not consider interaction that is wholly optional or initiated primarily by the student to be regular and substantive interaction between students and instructors. Interaction that occurs only upon the request of the student (either electronically or otherwise) would not be considered regular and substantive interaction.

However, as described in [Dear Colleague Letter GEN 14-23](#), institutions have flexibility in how they define “regular and substantive interaction.” Some institutions design their CBE programs using a faculty model where no single faculty member is responsible for all aspects of a given course or competency. In these models, different instructors might perform different roles: for example, some working with students to develop and implement an academic action plan, others evaluating assessments and providing substantive feedback (merely grading a test or paper would not be substantive interaction), and still others responding to content questions.

Such a model may be used to ensure regular and substantive interaction between students and instructors. However, in applying such a model, an institution must ensure that the interaction is provided by institutional staff who meet accrediting agency standards for providing instruction in the subject matter being discussed, that the interaction is regular, and that the amount of faculty resources dedicated to the program is sufficient in the judgment of the accrediting agency. Interactions between a student and personnel who do not meet accrediting agency standards for providing instruction in the subject area would not be considered substantive interaction with an instructor.

For institutions providing CBE programs under CBE Split Disbursement there are two important considerations regarding the “regular and substantive interaction” requirements:

- ▶ Students must have access to qualified faculty; and
- ▶ Programs must be designed to ensure regular and substantive interaction between students and those faculty members.

**Access to qualified faculty** – Qualified means that the faculty possesses the appropriate academic credentials and experience in the applicable

knowledge domain, as determined by the accrediting agency. This faculty access must be available to students who are struggling to master learning materials or objectives or for any reason when the student wants to interact with a faculty member (e.g. seeking explanation of feedback on an assessment or assignment, career advice, desire for more information on a topic). Learning coaches, online tutoring, and other support can be offered and used and may even account for the majority of students' support (and success), but programs must, as discussed above, include access to an academically qualified faculty member at least when students need or want it.

If a faculty member is not the primary monitor of student engagement with learning (as in traditional instructional models), the institution must have some combination of staffing and systems to monitor student engagement, level of performance, and to provide proactive support. It is incumbent on the institution to demonstrate that students are not left to *educate themselves*, a chief characteristic of correspondence programs.

**Program design** – A program must be designed with the expectation that regular and substantive interaction between students and faculty is an integral part of an educational program.

The term **regular** means periodic and while it can be broadly interpreted, it should be understood as predictable regularity and built into program design. Recognizing that most (though not all) CBE programs are self-paced at least to some extent, predicted regularity can be **event** driven and include, but is not limited to, completion of certain key competencies, a percentage of competencies, or the submission of assessments. While individual students may elect not to initiate contact with qualified faculty, program design must include periodic contact by qualified faculty with the students. Those contacts could be made through the use of email or other social media, but must create the opportunity for substantive interaction. Note that while an automated system for initiating contact with students could be one aspect of program design, such a system in and of itself could not meet the requirement for **regular and substantive interaction**.

The term **substantive** can also be broadly interpreted, but refers specifically to interaction, or the opportunity for interaction, with a student that is relevant to the academic subject matter in which the student is engaged. Substantive interaction could include direct instruction, substantive feedback to assessments, or, as described above, contacts with students that create the opportunity for relevant discussion of academic subject matter.

Assessment is an important part of the educational equation in all instances, but takes on particular importance in outcomes-focused programs like CBE. The statutory language pertaining to **regular and substantive interaction** does not require that faculty administer and/or grade all assignments, though faculty feedback on student assignments may be a very effective form of substantive interaction. Some assessments might be exam-based and machine graded, but those forms of assessment would not be considered substantive interaction. Traditional higher education has long used teaching assistants, such as graduate students within the discipline, to assess and grade student work, and this is acceptable in CBE programs.



### Reminder

**There is an additional requirement under Competency-Based Education Experiment, including CBE Split Disbursement that programs included in experiment MUST be designed to require regular and substantive interaction between students and instructors; correspondence programs may not be included in CBE Split Disbursement.**

## Satisfactory Academic Progress

### Exemption: Satisfactory Academic Progress

[HEA Section 484 \(c\)](#) and [34 CFR 668.34\(a\)\(3\)\(ii\),\(a\)\(5\)\(ii\), and \(b\)](#) Satisfactory academic progress

Volume 2, Chapter 3 of the FSA Handbook describes the requirements for an institution's Satisfactory Academic Progress (SAP) policy. Certain aspects of these requirements are changed under the CBE Split Disbursement set of waivers as described above under *Student Eligibility*.

### Audits and program reviews

Volume 2, Chapter 4 of the FSA Handbook describes the audit requirements for institutions participating in the Title IV, HEA programs, and Volume 2, Chapter 8 describes program reviews that the Department conducts at schools. Participation in the CBE Split Disbursement set of waivers does not change an institution's responsibility to have an independent auditor conduct an annual audit of the school's compliance with the laws and regulations that are applicable to the FSA programs, nor does it waive an institution's responsibilities to comply with the Department's requirements for a program review.

However, because certain laws and regulations are waived under CBE Split Disbursement, institutions should refer auditors and the Department's program review staff to this Guide in order to determine whether an institution has complied with the appropriate rules for the CBE programs it includes under the CBE Split Disbursement set of waivers.

## *Updating application information*

Volume 2, Chapter 5 of the FSA Handbook describes the regular recertification of schools, as well as changes that can affect a school's participation and how and when to report these changes to the Department on the E-App (<http://eligcert.ed.gov>). This chapter also provides information on the process for adding an educational program to the institution's Eligibility and Certification Approval Report (ECAR), and describes the cases in which the school does not have to obtain the Secretary's prior approval to treat as eligible a program that is offered using credit or clock hours.

The Department must approve all other educational programs before Title IV aid may be awarded to students in those programs. If a program is offered using direct assessment, an institution must always receive approval from the Department (after receiving approvals required from the accrediting agency) before offering Title IV aid to students in that program.

CBE Split Disbursement does not change these basic requirements, but DOES require an institution to report to the Department all programs that it wishes to include under CBE Split Disbursement, and designate those programs by adding "- CBE" to the end of the program name in the E-App. Additionally, if a program is offered using credit or clock hours, that program must be approved, recognized, or designated as a CBE program by the institution's accrediting agency before the program may be included in CBE Split Disbursement. Additional information on this process is provided in Sections 2-4 of this Guide.

## *Consumer information and school reports*

**Volume 2, Chapter 6 of the FSA Handbook describes information that a school must disclose to the public and report to the Department. Participation in CBE Split Disbursement does not alter these requirements. Under those requirements, an institution must disclose to the public that it participates in the CBE Split Disbursement set of waivers, which programs are included under CBE Split Disbursement, and how its administration of the Title IV aid programs – including disbursement, satisfactory academic progress, and treatment of Title IV aid when a student withdraws – are changed under CBE Split Disbursement.**

All other requirements described in Volume 2 of the FSA Handbook remain in effect for institutions participating in the CBE Split Disbursement set of waivers.

## CALCULATING AWARDS & PACKAGING

Volume 3, Chapter 1 of the FSA Handbook describes requirements for academic calendars, payment periods, and disbursements. The majority of the waivers in CBE Split Disbursement relate to these areas, which will be discussed in greater detail below.

### *Academic Year requirements*

For FSA purposes, the academic year is defined in weeks of instructional time and, for undergraduate programs, in credit or clock-hours. A program's academic year does not have to coincide with the program's academic calendar. An institution must use the same academic year definition for all FSA awards for students enrolled in a particular program, and for all other FSA program purposes. However, a school may treat two versions of the same academic program (day and night, for example) as separate programs and define different academic years for each version.

### **Weeks of instructional time in an academic year**

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time.

The number of weeks of instructional time is based on the period that begins on the first day of classes in the academic year and ends on the last day of classes or examinations. For all FSA programs, a week of instructional time is any period of 7 consecutive days in which at least 1 day of regularly scheduled instruction, examination, or (after the last day of classes) at least 1 scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination.

Institutions must ensure that the instructional materials and faculty support necessary for academic engagement are available to students every week that the institution counts toward its definition of a payment period or an academic year. Note that, to the extent that instructional services supporting educational activity are not offered at any time during a seven-day period, that week would not count toward the institution's definition of a payment period or an academic year, nor would it count toward the minimum program length requirements in [34 CFR 668.8](#).

For all CBE programs, including direct assessment programs, educational activity includes (but is not limited to):

- ▶ Participating in regularly scheduled learning sessions (where there is an opportunity for direct interaction between the student and the faculty member);
- ▶ Submitting an academic assignment;
- ▶ Taking an exam, an interactive tutorial, or computer-assisted instruction;
- ▶ Attending a study group that is assigned by the institution;
- ▶ Participating in an online discussion about academic matters;
- ▶ Consultations with a faculty mentor to discuss academic course content; and
- ▶ Participation in faculty-guided independent study (as defined in 34 CFR 668.10(a)(3)(iii)).

For direct assessment programs only, educational activity also includes development of an academic action plan developed in consultation with a qualified faculty member that addresses competencies identified by the institution.

### Credit or clock-hours in an academic year

The law and regulations set the following minimum standards for coursework earned by a full-time student in an academic year in an undergraduate educational program (including direct assessment programs):

- ▶ 24 semester or trimester credit-hours or 36 quarter credit-hours for a program measured in credit-hours or an equivalent measure in a direct assessment program; or
- ▶ 900 clock-hours for a program measured in clock-hours or an equivalent measure in a direct assessment program.

There is no minimum hours component to the definition of an academic year for graduate and professional programs. For purposes of Direct Loans, a loan period certified for an academic year in a graduate or professional program would include the weeks of instructional time in the academic year and the hours a full-time student is expected to complete in those weeks.

The requirements above relating to a program's academic year apply to all CBE programs, not just those included in an institution's participation in the CBE Split Disbursement. The CBE Split Disbursement set of waivers does not change any of those requirements.

## Academic calendars

Volume 3, Chapter 1 of the FSA Handbook describes the three different types of academic calendars: standard term, nonstandard term, and nonterm. CBE Split Disbursement does not change these definitions; however, all programs included in an institution's participation in CBE Split Disbursement **MUST** be treated as nonterm for Title IV aid purposes.

## Payment Periods

### Exemption: Payment Periods

#### [34 CFR 668.4\(c\)](#), Definition of a Payment Period

Volume 3, Chapter 1 of the FSA Handbook provides a definition of a payment period applicable to all the Title IV programs except for Federal Work Study. Title IV aid must be disbursed on a payment period basis, and a SAP evaluation must correspond with the end of a payment period.

Under [34 CFR 668.4\(c\)](#), for an academic program that does not have academic terms, a payment period ends, and the next payment period begins, when the student has successfully completed both half the number of clock or credit hours in the program's Title IV academic year and half the number of weeks of instructional time in that definition. Under this regulation, the institution uses the same payment period in making Title IV disbursements of indirect costs (i.e., costs of living) as it does in making disbursements of direct costs (institutional charges).

**CBE Split Disbursement waives the definition of a payment period in 34 CFR 668.4(c).**

Under CBE Split Disbursement an institution must shorten the length of the CBE program's payment periods from 50 percent of the program's defined *academic year* to no more than 25 percent of the academic year.

## Comparison between current rules and experiment

| Current Rules  | Experiment   |
|--|--|
| Term program: Each term is a payment period  | Two types of payment periods: direct costs payment periods and indirect costs payment periods                                      |
| Nonterm program: A payment period is the time it takes for the student to complete 50% of the credits in the academic year and 50% of the weeks in the academic year | Programs are treated as nonterm programs, and payment periods are no more than 25% of the defined Title IV academic year component |

In the CBE Split Disbursement set of waivers, there are also two different kinds of payment periods: payment periods for direct costs and payment periods for indirect costs (both described below under “Cost of Attendance”). Note that the amounts of Title IV aid associated with direct and indirect costs will be determined according to the packaging process described below.

Under CBE Split Disbursement, an institution must first determine the percentage of the academic year that each of its payment periods accounts for, and then determine the amount of hours or weeks associated with that period. CBE Split Disbursement will provide for institutional flexibility in establishing the number of competencies and weeks of instructional time in the CBE program’s payment periods to fit its needs, as long as each of those components is not more than 25 percent of the relevant academic year component and as long as all of the components combined equal at least 100 percent of the relevant academic year component.

Payment periods for direct costs will be expressed in terms of the number of credit or clock hours (or the equivalent in the case of a direct assessment program) expected to be completed in the percentage of the academic year that is used for purposes of calculating the payment period, with that number determined in compliance with Title IV minimums for full-time enrollment for an academic year. For example, if an institution establishes a direct cost payment period that is 25 percent of its academic year, and its academic year definition includes 24 semester hours, then the institution’s direct cost payment period would be six semester hours.

A **direct cost payment period** is completed, and the next one begins, when a student achieves all of the competencies associated with the required number of credit hours, clock hours, or the equivalent for that payment period. Disbursements of Title IV aid that are made on the basis of direct cost payment periods are called **direct cost disbursements**.

Payment periods for indirect costs will be expressed in weeks of instructional time. For example, if an institution establishes an indirect cost payment period that is 20 percent of its academic year, and its academic year definition includes 30 weeks of instructional time, the institution’s indirect cost payment period would be six weeks of instructional time.



An **indirect cost payment period** is completed, and the next one begins, when a student completes all of the weeks of instructional time associated with that payment period. Disbursements of Title IV aid that are made on the basis of indirect cost payment periods are called **indirect cost disbursements**.

An institution may define its payment periods for purposes of making indirect cost disbursements differently than it defines its payment periods for purposes of making direct cost disbursements. Thus, an institution's program could have a direct cost payment period of 20% of the academic year and an indirect costs payment period of 15%, etc. See below regarding **Cost of Attendance**.

Example: Consider an example in which the institution and its accrediting agency have established that the CBE program consists of 40 competencies, each of which is equivalent to the amount of learning in three semester credit hours. The institution's defined Title IV academic year consists of the successful completion of at least eight competencies (the equivalent of 24 credit hours) over 30 weeks of instructional time. The institution has decided, for this CBE program, that it will set both the direct cost payment period and the indirect cost payment period to be equal to 25 percent of the Title IV academic year. In this example, the second direct cost payment period would begin once the student had completed two competencies. The second indirect cost payment period would begin after seven and one half weeks of instruction had passed.

### Example

Consider an example in which the institution and its accrediting agency have established that the CBE program consists of 40 competencies, each of which is equivalent to the amount of learning in three semester credit hours. The institution's defined Title IV academic year consists of the successful completion of at least eight competencies (the equivalent of 24 credit hours) over 30 weeks of instructional time. The institution has decided, for this CBE program, that it will set both the direct cost payment period and the indirect cost payment period to be equal to 25 percent of the Title IV academic year. In this example, the second direct cost payment period would begin once the student had completed two competencies. The second indirect cost payment period would begin after seven and one half weeks of instruction had passed.

| Academic Year: 15 Weeks of Instructional Time and 24 Semester Hours      |  |  |  |
|--|--|--|--|
| Direct Cost Payment Period 1: 8 Semester Hours<br>(25% of academic year) | Direct Cost Payment Period 2: 8 Semester Hours<br>(25% of academic year) | Direct Cost Payment Period 3: 8 Semester Hours<br>(25% of academic year) | Direct Cost Payment Period 4: 8 Semester Hours<br>(25% of academic year) |
| Indirect Cost Payment Period 1: 7.5 Weeks<br>(25% of academic year)      | Indirect Cost Payment Period 2: 7.5 Weeks<br>(25% of academic year)      | Indirect Cost Payment Period 3: 7.5 Weeks<br>(25% of academic year)      | Indirect Cost Payment Period 4: 7.5 Weeks<br>(25% of academic year)      |

## Disbursement timing

### Exemption: Frequency of disbursements

[34 CFR 674.16\(b\)\(3\)](#), [34 CFR 676.16\(a\)\(3\)](#), [34 CFR 686.33\(a\)](#), [34 CFR 690.76\(a\)](#): Frequency of disbursements for grants and Perkins Loans;

[HEA Section 428G\(a\)\(2\)](#) and [34 CFR 685.303\(d\)\(3\)\(ii\)\(B\)](#): Determining disbursement dates for Direct Loans

Volume 3, Chapter 1 of the FSA Handbook describes the requirements for the timing of Title IV disbursements, and notes that the timing of disbursements is especially important for Pell Grants, TEACH Grants, and Direct Loan funds, because you must report disbursement dates to the Department through the Common Origination and Disbursement (COD) System. Prompt and accurate reporting of Title IV disbursement dates is still required under CBE Split Disbursement, as will be described below.

### Basic rules for early and delayed disbursements

For credit-hour non-term and clock-hour programs, the earliest a school may disburse FSA funds (other than FWS wages) is the later of:

- ▶ 10 days before the first day of classes for that payment period; or
- ▶ The date the student completed the previous payment period for which he or she received FSA funds.

These general restrictions also apply to programs included in CBE Split Disbursement

### Disbursements in clock hour and credit-hour nonterm programs

As stated in Volume 3, Chapter 1 of the FSA Handbook, ordinarily in credit hour nonterm and clock-hour programs, a student can receive the first disbursement of FSA grant or Perkins Loan funds when the student begins the program or academic year. Note that if the disbursement is made earlier and the student does not begin attendance, the institution will have to return the funds to the Department under 34 CFR 668.21, as discussed below.

The FSA Handbook also states that a student becomes eligible to receive a disbursement of FSA grant funds for the second payment period when the student successfully completes half of the weeks of instructional time AND half of the credit-hours/clock-hours in the academic year or program or the remaining portion of a program that is more than one-half of an academic year but less than a full academic year. **This is not the case under CBE Split Disbursement.**

**Reminder**

**Under CBE Split Disbursement, an institution may only make a second or subsequent direct cost disbursement of Title IV aid when a student has completed all of the competencies in the prior direct cost payment period, and may only make a second or subsequent indirect cost disbursement of Title IV aid when a student has completed all the weeks of instructional time in the prior indirect cost payment period.**

**Additionally, the institution may not make a direct cost disbursement of Title IV aid that, if added to the indirect cost disbursements and direct cost disbursements previously made in the academic year, would exceed the student's annual award maximum for the academic year for that Title IV program.**

**Note:** A student who completes the credit hours, clock hours, or the equivalent in an academic year before completing the weeks in the academic year becomes eligible for any difference between the student's annual loan limit for the prior grade level and the annual loan limit for the current grade level.

If a student completes the competencies associated with the credit or clock hours or the equivalent in an academic year before completing the weeks of instructional time in the academic year, the institution must delay disbursements associated with the following academic year until the student has completed the appropriate number of weeks of instructional time. Once the student has completed the appropriate number of weeks, and subject to maximums applicable to the new academic year, the institution may disburse funds for any direct cost payment periods for which the student has not yet been paid as long as the student otherwise meets the requirements for those disbursements.

## Multiple disbursements within a payment period

The FSA Handbook states that Title IV regulations generally permit schools to pay FSA funds at such times and in such installments within each payment period as will best meet students' needs.

**Under CBE Split Disbursement, there are different requirements for the timing of disbursements of Title IV aid for direct costs and indirect costs.**

An institution may make direct cost disbursements at such times and in such installments within each direct cost payment period as will best meet students' needs, provided that direct cost disbursements cannot be made for a subsequent payment period before the competencies associated with the hours or equivalencies for the current payment period have been completed. Additionally, if a student completes the competencies in a direct cost payment period before an indirect cost payment period has elapsed, the institution may choose, for administrative reasons, not to immediately disburse Title IV aid for direct costs but, may instead wait until the required weeks of instruction have elapsed, in order to make disbursements for both direct and indirect costs at the same time. However, if an institution chooses to delay disbursements for direct costs, it may not restrict the student's ability to continue or to begin subsequent academic work.

Note that even though a student can receive a new direct cost disbursement in the same academic year when he/she completes the competencies associated with the prior direct cost payment period, a student may not receive a new annual loan limit until the student has completed all the weeks of instructional time in the academic year. See *Annual Loan Limits* and *Loan Limit Progression* later in this section for more information.

For indirect cost disbursements, the institution must make the disbursement of Title IV funds, if any, for a student's indirect costs no later than 14 days after the student has completed the prior indirect cost payment period.

## Retroactive disbursements for completed periods

Under CBE Split Disbursement when an enrolled student becomes eligible for Title IV aid, your institution must pay the student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if you don't receive a valid SAR/ ISIR for a student until the student has completed several direct cost payment and indirect cost payment periods, but the student was also enrolled and eligible for a disbursement in those earlier payment periods, that student must be paid retroactively for those payment periods.

## Comparison between current rules and experiment

| Current Rules  | Experiment  |
|--|---|
| Disbursements for direct costs and indirect costs made at same time  | Disbursements for direct and indirect costs may occur at different times                      |
| Disbursements for a nonterm program are made when the student completes both 50% of credits and weeks in the academic year | Disbursements may be made for direct costs when competencies have been mastered               |
|  | Disbursement for indirect costs must be made at regular intervals, subject to award maximums. |

### Interim Disbursements

Under certain limited circumstances, you may make interim disbursements to students prior to verification. This flexibility is still available when an institution is participating in CBE Split Disbursement.

### Transfer and Re-Entry

A student who withdraws from a nonterm program and then re-enters within 180 days is considered to remain in the same payment period when he/she returns and, subject to conditions imposed by ED, is eligible to receive Title IV funds for which he/she was eligible prior to withdrawal.

Generally, you must calculate new payment periods for a nonterm program for a student who withdraws:

- ▶ and then re-enters the same program at the same school after 180 days; or
- ▶ from a program and enrolls in a new program at your school, or at another school within any time period.

In this circumstance, for purposes of calculating payment periods ONLY, the length of the program is the number of credit or clock-hours and weeks of instructional time the student has remaining in the program that he/she re-enters or transfers into.

None of the requirements described above for calculating payment periods for students that transfer and re-enter change under CBE Split Disbursement.

**Note** For students who transfer and re-enter after 180 days, or who enroll in a new program, an institution should calculate the student's direct and indirect cost payment periods using the definition described above, in which there are direct and indirect cost payment periods, and a payment period may be no more than 25% of the defined Title IV academic year component.

## Direct Loan Periods When a Student Transfers to a New School

Volume 3, Chapter 1 of the FSA Handbook describes the treatment of Direct Loan awards when a student transfers to a new school before the academic year at the student's prior institution has ended. In that case, under the current rules, an institution may create a loan for the remaining portion of the program or academic year (abbreviated loan) if the period of enrollment for the loan at the first school overlaps the period of enrollment at the new school.



### Reminder

**There are changes to this procedure under CBE Split Disbursement. Under CBE Split Disbursement, when a student transfers to a new institution, enrolls in a CBE program included in CBE Split Disbursement, and the academic year for the loan at the prior institution has not yet ended, the institution may choose to originate a new loan for the remaining portion of the academic year.**

**Once the abbreviated loan has ended and the student has completed the weeks in the prior academic year, the institution may originate a new loan beginning at the same time as a direct or indirect cost payment period. The institution must always ensure that it does not disburse more than a student's annual loan limit during an academic year.**

### Exemption: Annual Loan limits for Direct Loans and determining disbursement dates for Direct Loans

**[34 CFR 685.303\(e\)\(2\) and \(3\)](#): Annual Loan limits for Direct Loans;**

**[HEA Section 428G\(a\)\(2\)](#) and [34 CFR 685.303\(d\)\(3\)\(ii\)\(B\)](#): Determining disbursement dates for Direct Loans**

## Loan Periods for a Student Starting a New Program at the Same School in the Same Academic Year

Volume 3, Chapter 1 of the FSA Handbook also describes the treatment of Direct Loan awards when a student completes a program and then begins a new program at the same institution. The Handbook states that, in this situation, the institution may originate a loan for the remainder of the academic year for an amount that does not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program. There may either be a new loan period with new payment periods or, if the institution chooses to consider the student to be in the same payment period, there would be no new loan period.

There are also changes to this procedure under CBE Split Disbursement. Under CBE Split Disbursement, when a student completes a program and begins a new program that is included in the experiment at the same institution, the institution may not choose to consider the student to be in the same loan period and payment period. The institution may choose to originate a new loan with a new loan period for the remaining portion of the academic year, but must incorporate the student's eligibility for that loan into the same program academic year and payment periods that it uses for all other Title IV programs.

### *Cost of Attendance - Direct and indirect costs*

Volume 3, Chapter 2 of the FSA Handbook describes the components of a student's cost of attendance. Under the CBE Experiment, the types of allowable costs will not change, but institutions will be required to separate the components of the student's Title IV COA into two categories, one for "direct costs" (i.e., tuition and fees and books and supplies) and the other for "indirect costs" (such as room and board, transportation, miscellaneous expenses). Students will be eligible to receive disbursements of Title IV aid for institutional charges and disbursements of Title IV aid for living expenses at different times based on the two different measures of the student's progression through the CBE program.

| Direct Costs (DC)  | Indirect Costs (IC)  |
|--|--|
| <ul style="list-style-type: none"> <li>• Tuition and Fees</li> <li>• Books and supplies</li> </ul> | <ul style="list-style-type: none"> <li>• Room and Board</li> <li>• Transportation, miscellaneous expenses, etc.</li> </ul> |

In CBE Split Disbursement, **direct costs** mean tuition, fees, books, and supplies. Please note, there will be no restrictions placed on how institutions charge tuition or fees, but institutions should carefully consider how their systems for charging students will work under the CBE Split Disbursement set of waivers.

**Indirect costs** are all other costs: room and board, transportation, miscellaneous expenses, and all the other expenses that can be included in a student's cost of attendance under the current rules.



**Use this chart to assist in building your direct and indirect costs.**

| Direct Costs       |  |
|--------------------|--|
| Tuition            |  |
| Fees               |  |
| Books and supplies |  |
| Total Direct Costs |  |

| Indirect Costs   |  |
|--|--|
| Room & Board   |  |
| Transportation   |  |
| Miscellaneous Expenses (Dependent care, disability expenses and loan fees) |  |
| Total Indirect Costs   |  |

Volume 3, Chapter 2 of the FSA Handbook also describes the requirements for developing costs for students who attend for periods other than 9 months. Under the CBE Split Disbursement set of waivers, the length of the program or the program's academic year, whichever is shorter, will determine the length of time that the institution uses to calculate costs for a student.

### Calculating Pell Grant Awards

Volume 3, Chapter 3 of the FSA Handbook describes the requirements for calculating Pell Grant and Iraq & Afghanistan Service Grant (IASG) payments.

### Scheduled Award, Award Year, and Annual Award

The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends full-time for a full academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. A student's Scheduled Award is established by the Pell Grant payment schedule that the Department issues prior to the start of each award year. The annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. CBE Split Disbursement does not change these provisions, nor does it change the rules for calculating IASG awards.



In most circumstances, because programs included in CBE Split Disbursement are treated as nonterm programs, students will have annual awards that are the same as their Scheduled awards, because the students in nonterm programs are considered to be full-time for awarding purposes. In limited circumstances, a student who is less-than-half-time may receive a smaller Pell award as a result of a reduced full-time cost of attendance.

### Formulas 1, 2, and 3, and 5

Because CBE Split Disbursement relates only to nonterm programs and excludes correspondence programs, Pell Formulas 1, 2, 3, and 5 do not apply.

### Formula 4

For nonterm programs under CBE Split Disbursement, enrollment status only makes a difference if the student is attending less-than-half-time. If that's the case, only certain components of the cost of attendance are used; please see the section on "Enrollment Status" above for more information.

Under normal rules, an institution calculates a payment for each payment period by dividing the credit hours in the payment period over the credit hours in the academic year and the weeks in the payment period over the weeks in the academic year and using the lesser of the two results.

**CBE Split Disbursement changes the method by which an institution calculates the payment amounts for the Pell Grant program under Formula 4.**

Under CBE Split Disbursement, Pell payments are determined using the following calculation. Apply the steps below separately for direct cost payments and indirect cost payments:

#### Example

If a student's Scheduled Award was \$5,775 and the student's direct costs were only \$3,775, then \$3,775 would be assigned to direct costs and \$2,000 would be assigned to indirect costs.

1. Determine whether the Pell award will be used to pay for direct costs only, or for both direct and indirect costs.

### Example

Four direct cost payment periods of 6 semester hours each would each be 25% of the academic year.

2. Calculate the percentage of the academic year that is associated with each payment period.
3. Multiply the amount assigned to direct or indirect costs by the applicable percentage.

### Example

If \$3,775 of the student's Pell award was assigned to direct costs, then \$3,775 would be multiplied by 25% for each of the payment periods, for a total of \$943.75 per payment period.



### Reminder

Note that the normal ground rules for rounding Pell payments would still apply under CBE Split Disbursement. The COD System accepts cents and whole dollar amounts in payment amounts for Pell. When rounding, you may round up if the decimal is .50 or higher; round down if it's less than .50. When rounding for a student expected to be enrolled for more than one payment period in the award year, alternate rounding up and down. The amount used to round (whether it is a dollar or penny) is carried forward to the next payment and applied before the rounding calculation is performed for that payment period. Your policy on rounding must be applied equally to all students. These rounding rules do not apply if the amount disbursed would exceed the student's Scheduled Award or place the student's Lifetime Eligibility Used (LEU) over 600%.

**Exemption: Calculation of a Federal Pell Grant for a payment period****[34 CFR 690.63 \(e\)\(2\)](#) Calculation of a Federal Pell Grant for a payment period****Crossover Payment Periods**

When a payment period falls into two award years – that is, it begins before July 1 and ends on July 1 or later – it is called a “crossover payment period.” The formula for calculating the payment for a crossover payment period is the same as that for any other payment period in the award year.

For Pell purposes, you must consider a crossover payment period to occur entirely within one award year and calculate the student’s Pell award and disburse Pell funds from the award year selected (if you only have a valid SAR/ISIR from one award year, you must rely on that record and the award year to which the valid SAR/ISIR pertains).

**Under CBE Split Disbursement, both direct cost payment periods and indirect cost payment periods will be considered crossover payment periods under the following circumstances:**

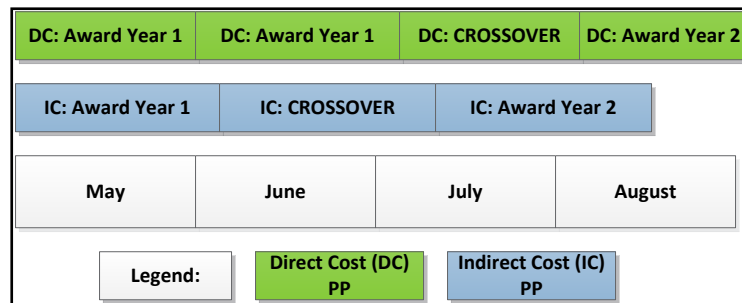
- ▶ An indirect cost payment period is a crossover payment period if it begins before July 1 and ends on July 1 or later.
- ▶ A direct cost payment period is a crossover payment period if it begins during a crossover indirect cost payment period.

### Example

A student begins an academic program included in CBE Split Disbursement on May 4th. That student's first indirect cost payment period extends from May 4th through June 5th. The student completes the competencies associated with her first direct cost payment period on May 29th.

The student's second indirect cost payment period begins on June 8th and extends until July 17th, and is therefore considered a crossover payment period. At the same time, the student is working on the competencies associated with her second direct cost payment period, which she completes on July 10th. However, that second direct cost payment period began before the crossover indirect cost payment period that started June 8th, and is therefore associated with the prior award year.

The student completes the competencies associated with her second direct cost payment period on July 10th, before the last day of the crossover indirect cost payment period. Therefore, even though the student's third direct cost payment period began after July 1, under CBE Split Disbursement it is considered a crossover payment period because it begins during a crossover indirect cost payment period.



### Awarding remaining Pell Grant eligibility

A student who receives Pell Grant funds at one institution and subsequently transfers to another institution in the same award year can only receive the remaining percentage of his/her Scheduled award for the award year at the new institution. CBE Split Disbursement does not change these provisions.

### Pell Grant and Lifetime Eligibility Used (LEU)

A student's maximum duration of Pell eligibility is 6 Scheduled Awards, as measured by the percentage of LEU field in the COD System and described in Volume 3, Chapter 3 of the FSA Handbook. CBE Split Disbursement does not change these provisions.

### Pell recalculations

In certain cases, you may have to recalculate the student's Pell Grant after the initial calculation or disbursement, to account for changes to the student's costs or EFC.

If the student's EFC changes due to corrections, updating, or an adjustment, and the EFC change would change the amount of the Pell award, you must recalculate the Pell award for the entire award year and change the student's actual and/or anticipated disbursement amounts per payment period accordingly.

If the student's COA changes during the year, the institution has the option of recalculating Pell awards for those cost changes.

**NOTE:** This refers to recalculations of a student's entire Pell award based on cost changes, not to changes in the distribution of direct or indirect cost disbursements under the CBE Split Disbursement set of waivers. Please see the "Packaging" section below for more information.

### Academic Year progression

Under normal rules, in a nonterm program a student is required to complete all of the credit or clock hours and weeks of instruction in an academic year before the student may receive Pell Grant funds associated with the following academic year. Under CBE Split Disbursement this requirement still applies for purposes of the Pell Grant program.

If a student finishes the weeks of instructional time in an academic year before finishing the hours, the institution must withhold the student's next Pell Grant disbursement for indirect costs until the student has completed all of the hours in the academic year. Similarly, if a student finishes the hours in an academic year before finishing the weeks, the institution must withhold the student's next disbursement for direct costs until the student has completed all the weeks in the academic year.

## Calculating TEACH Grants

Volume 3, Chapter 4 of the FSA Handbook describes the process for calculating TEACH Grants. The formula for calculating a TEACH Grant is described in this chapter.

**Under CBE Split Disbursement the process for calculating TEACH Grant payments is the same as the process for calculating Pell Grants under CBE Split Disbursement, as described under “Calculating Pell and Iraq & Afghanistan Service Grant Awards” above.**

1. Determine whether the TEACH award will be used to pay for direct costs only, or for both direct and indirect costs.

### Example

If TEACH were the only award a student was receiving, and the student's Scheduled Award was \$4,000 and the student's direct costs were only \$3,000, then \$3,000 would be assigned to direct costs and \$1,000 would be assigned to indirect costs.

2. Calculate the percentage of the academic year that is associated with each payment period.

### Example

Four direct cost payment periods of 6 semester hours each would each be 25% of the academic year.

3. Multiply the amount assigned to direct or indirect costs by the applicable percentage.

### Example

If \$3,000 of the student's TEACH award was assigned to direct costs, then \$3,000 would be multiplied by 25% for each of the payment periods, for a total of \$750 per payment period.

Additional information regarding how to package funds under the CBE Experiment will be described under *Packaging* section later in this section.



## Reminder

**Note on COD System processing: You may only schedule up to 20 disbursements of a single Pell Grant or TEACH Grant award, so remember to design your academic year and payment periods so that you do not exceed this number.**

Crossover periods for TEACH Grants also function the same way as Pell Grants, as described above.

The remaining requirements for eligibility for and calculations of TEACH Grants described in Volume 3, Chapter 4 remain in effect, including maximum Scheduled Awards and aggregate limits.

### Academic Year progression

Under normal rules, in a nonterm program a student is required to complete all of the credit or clock hours and weeks of instruction in an academic year before the student may receive TEACH Grant funds associated with the following academic year. Under CBE Split Disbursement, this requirement still applies for purposes of the TEACH Grant program.

If a student finishes the weeks of instructional time in an academic year before finishing the hours, the institution must withhold the student's next TEACH Grant disbursement for indirect costs until the student has completed all of the hours in the academic year. Similarly, if a student finishes the hours in an academic year before finishing the weeks, the institution must withhold the student's next disbursement for direct costs until the student has completed all the weeks in the academic year.

### Direct Loan periods and amounts

#### Exemption: Annual Loan limits for Direct Loans and determining disbursement dates for Direct Loans

**[34 CFR 685.303\(e\)\(2\) and \(3\): Annual Loan limits for Direct Loans;](#)  
**[HEA Section 428G\(a\)\(2\) and 34 CFR 685.303\(d\)\(3\)\(ii\)\(B\): Determining disbursement dates for Direct Loans](#)****

Volume 3, Chapter 5 of the FSA Handbook describes the rules for awarding and disbursing Direct Loan funds. That chapter reminds institutions that in order to request Direct Loan or Direct PLUS Loan funds for a student, a school must certify that the borrower is eligible for the loan award, and must provide specific amounts and dates for each disbursement of the loan award.

A borrower's eligibility for a Direct or Direct PLUS Loan is limited by annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, an institution may not originate a loan for more than the:

- ▶ amount the borrower requests;
- ▶ borrower's cost of attendance;
- ▶ borrower's annual or aggregate limit; or
- ▶ borrower's unmet financial need (as determined using the rules described under "Packaging," below).

In Direct Loans, the loan certification is part of the loan origination record sent electronically to the COD System. An institution must provide this certification each time you make a loan under a Master Promissory Note (MPN).

The school's origination includes the borrower's grade level, loan period, anticipated disbursement dates, and the amounts of the disbursements (using the rules described in this section below).

None of the requirements above are affected by an institution's participation in the CBE Split Disbursement .

### Loan Periods and program length

An institution must define the loan period (sometimes called the "period of enrollment") at the beginning of the loan awarding process. The length of a loan period will determine the timing and amount of disbursements of Direct Loan funds.





## Reminder

**The minimum timeframe for a loan period for programs under the CBE Experiment is the lesser of the length of the program, the remaining portion of the program if the student has less than the full program remaining, or the program's academic year. The maximum timeframe for a loan period is also one academic year.** Under the CBE Experiment, an institution is not permitted to originate a loan with a loan period that extends beyond an academic year.

**Under CBE Split Disbursement, an institution must originate a single Direct Loan for direct costs and for indirect costs (if the student's award exceeds direct costs). With the exception of loans for certain transfer students, as described above, an academic year for Direct Loans under CBE Split Disbursement will extend until the student completes both the hours and the weeks in the academic year. Note that if a student finishes the weeks of instructional time in an academic year before finishing the hours, the next academic year can immediately begin for purposes of disbursing indirect costs, and will overlap with the prior academic year until the student finishes the hours in the prior year.**

If the Direct Loan is intended solely to pay direct costs, the academic year for the loan will extend until the day that the student completes all the competencies in the institution's definition of an academic year.

## Direct Loan disbursement

Under CBE Split Disbursement, disbursements of Direct Loan funds must be made on a payment period basis. Disbursements for each direct cost payment period in a loan period must be substantially equal. Disbursements for each indirect cost payment period in a loan period must also be substantially equal. For both direct cost and indirect cost payment periods, loan proceeds for a payment period may not be disbursed until the student has successfully completed the prior payment period.

## Example

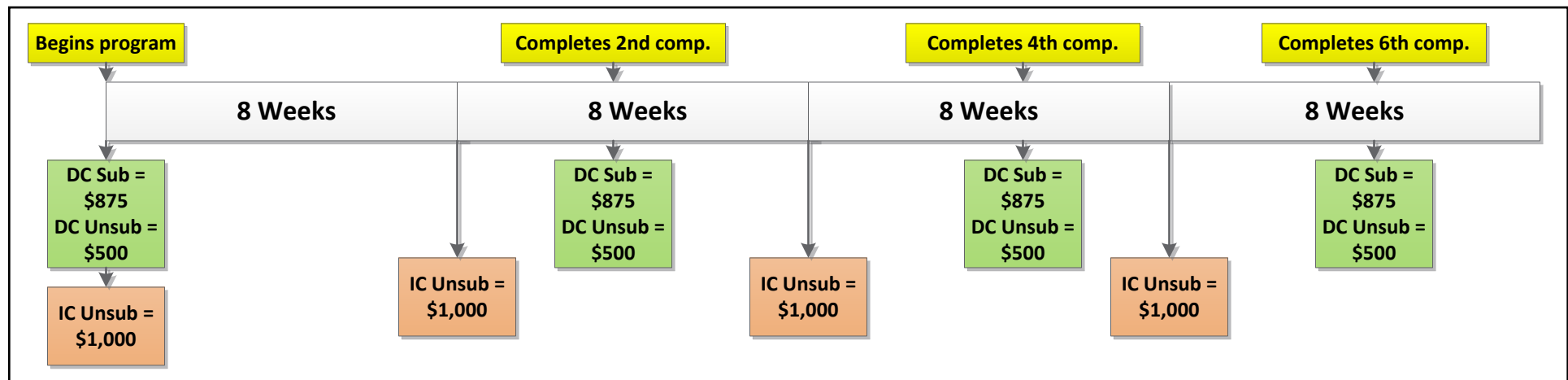
An institution has defined its academic year for a CBE program as 8 competencies, each of which are equivalent to three credit hours, and 32 weeks of instructional time. A first-year, independent student in that program is eligible for a Subsidized Direct Loan of \$3,500 and \$6,000 in Unsubsidized Direct Loan funds. The student's COA for the academic year is \$12,500; the student's direct costs are \$5,500, and indirect costs are \$7,000. The institution has chosen to use payment periods representing 25% increments of the academic year.

The student's entire \$3,500 Subsidized Direct Loan would go toward the student's direct costs, and would be divided into four equal disbursements of \$875 each. A disbursement would be made at the beginning of the student's program, and the remaining three disbursements of \$875 in the loan period would be made each time the student completes two competencies.

The student's Unsubsidized Direct Loan would be divided between direct costs and indirect costs.

The first \$2,000 of the student's Unsubsidized Direct Loan would go toward the student's direct costs; that amount would be divided into four equal disbursements of \$500 each. The first disbursement would be made at the beginning of the program, and subsequent disbursements would be made each time the student completes 6 competencies.

The remaining \$4,000 of the student's Unsubsidized Direct Loan would go toward the student's indirect costs; that amount would be divided into four equal disbursements of \$1,000 each. The first disbursement would be made at the beginning of the program, and subsequent disbursements would be made each time the student completes 8 weeks of instructional time.



Direct Subsidized and Unsubsidized Loans have annual loan limits, based on the student's dependency status and grade level. These amounts of the Direct Loan annual limits, including the amounts associated with each grade level, do not change under CBE Split Disbursement.

Under the normal rules, a student would progress to a new loan limit in a nonterm program – using a BBAY3 – only after successfully completing BOTH the clock or credit hours and the weeks of instructional time in the BBAY3.

- ▶ **Under the CBE Experiment, a student could progress to a new loan limit after completing the weeks of instructional time in the BBAY3 (which must be at least 26 weeks for a clock hour program and 30 weeks for a credit hour program). The student would not be required to complete the credit hours, clock hours, or the equivalent in order to receive a new annual loan limit. It could not, however, make disbursements for direct costs that count toward the new annual loan limit until the credit hours, clock hours, or the equivalent associated with the prior payment period were completed.**
- ▶ **Note that under CBE Split Disbursement, a student must ALWAYS complete the weeks in the institution's definition of an academic year before receiving a new annual loan limit.** If a student completes all of the competencies associated with an academic year before completing the weeks of instructional time, the institution must wait until the appropriate number of weeks have elapsed before providing additional loan funds to the student.

### Grade level progression

The annual loan limit for Direct Subsidized and Unsubsidized Loans increases as a student progresses in his/her studies. Under CBE Split Disbursement, a grade level is determined by the number of credit or clock hours or the equivalent in the institution's definition of an academic year for the program.

Under the normal rules, in a nonterm program that is longer than an academic year, the borrower may not move to a higher grade level until he or she completes the credit or clock hours and weeks of instructional time in the BBAY.

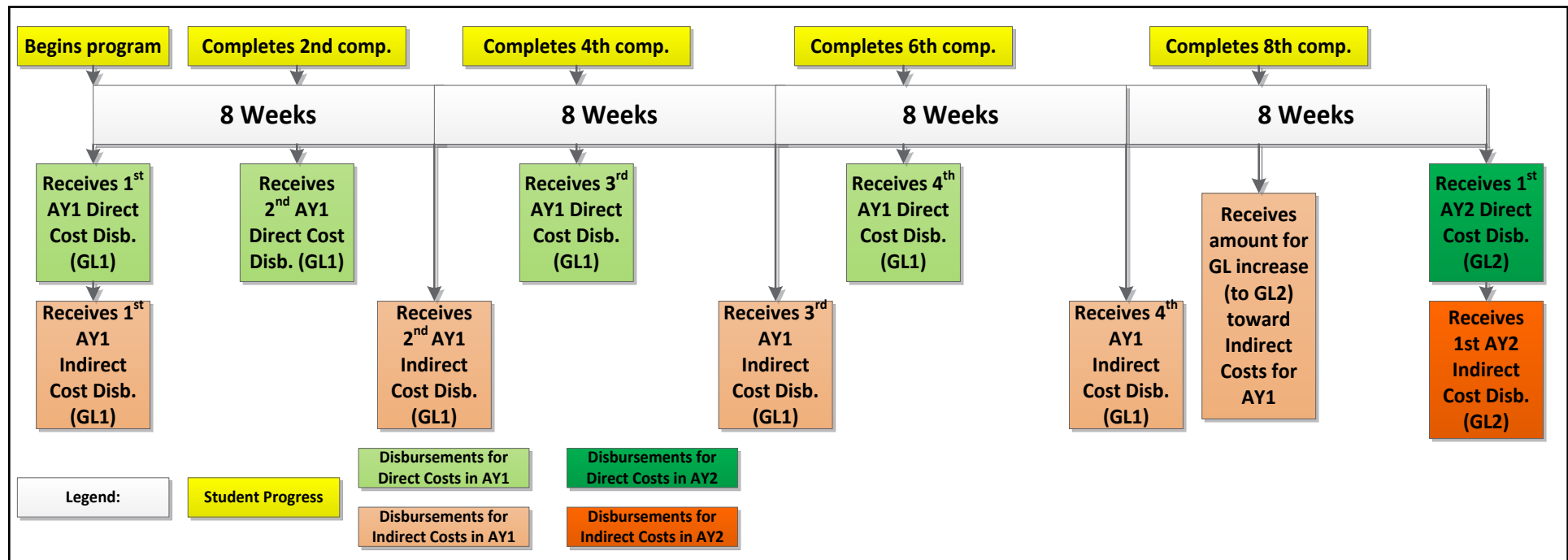
**Under CBE Split Disbursement, a borrower may move to a higher grade level when he/she completes the number of credit or clock hours or the equivalent in the program's academic year, regardless of whether the student has completed the weeks of instructional time in the academic year.**

Under CBE Split Disbursement, when a student completes the competencies associated with the number of credit or clock hours or the equivalent in an academic year, and the student also moves to a new grade level, the student would immediately become eligible for the difference between the student's prior annual loan limit for his/her grade level and the annual loan limit for the student's new grade level. **However, the student cannot receive a new full annual loan limit until the student has completed all of the weeks in the institution's definition of an academic year.**

## Example

In the following example, a student enrolled in a competency-based education program under the CBE Experiment is eligible only for Direct Loan funds. In this example, the institution considers a student to have reached a new grade level when the student completes all the competencies associated with an academic year, and the institution considers each competency to be worth three credit hours. The institution's academic year is defined as 24 credit hours and 32 weeks of instructional time.

We have provided a visual depiction of that student's progress through the program and her corresponding disbursement progression.



### Prorating annual loan limits for direct loans

An institution must prorate loan limits for a student who is enrolled in a program shorter than a full academic year in length. This proration is performed using the following calculation:

The applicable loan limits must be prorated by the lesser of:

$$\frac{\text{Semester, trimester, quarter, or clock hours enrolled in program}}{\text{Semester, trimester, quarter, or clock hours in academic year}}$$

**OR**

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

An institution must also prorate loan limits for students enrolled in remaining periods of study shorter than an academic year. This circumstance can occur when a student is enrolled in a program that is one academic year or more in length, but the remaining period of study needed to complete the program will be shorter than an academic year.

Both forms of proration still apply under CBE Split Disbursement . Under CBE Split Disbursement, a remaining period of study is considered less than an academic year for this purpose if the remaining period consists of fewer clock or credit hours than the program's defined Title IV academic year. Loans intended for direct or indirect costs for this final portion of the program must be prorated according to the following calculation:

$$\frac{\text{Semester, trimester, quarter, or clock hours enrolled in program}}{\text{Semester, trimester, quarter, or clock hours in academic year}}$$

### Remaining loan eligibility for students who transfer or change programs - Annual loan limits for Direct Loans

Volume 3, Chapter 5 of the FSA Handbook describes the requirements when a student transfers from one school to another school or changes to a different program at the same school and there is an overlap of academic years. The Handbook states that such an overlap may affect the amount that the student is eligible to borrow at the new school or for the new program.

**Under CBE Split Disbursement, when a student transfers to a new institution, enrolls in a CBE program included in CBE Split Disbursement, and the academic year for the loan at the prior institution has not yet ended, the institution may choose to originate a new loan for the remaining portion of the academic year, but must incorporate the student's eligibility for that loan into the same program academic year and payment periods that it uses for all other Title IV programs. Please see the discussion under Direct Loan Periods When a Student Transfers to a New School earlier in this section for additional information.**

## Aggregate loan limits

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional loans. The CBE Split Disbursement set of waivers does not change the aggregate limits for Direct Loans, which may be found in Volume 3, Chapter 5 of the FSA Handbook.

## Subsidized loan eligibility time limitation (150% rule)

First-time borrowers (those who have no principal or interest balance on any Direct or FFEL Loan on the date they receive a Direct Loan on or after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are currently enrolled. CBE Split Disbursement does not change this restriction, and all rules and requirements for calculating the subsidized usage periods for students enrolled under CBE Split Disbursement will remain the same.

All other requirements for awarding and disbursing Direct Loan funds described in Volume 3, Chapter 5 of the FSA Handbook do not change under CBE Split Disbursement.

## Awarding Campus-Based aid

### Exemption: Frequency of disbursements for grants and Perkins Loans

**34 CFR 674.16(b)(3), 34 CFR 676.16(a)(3), 34 CFR 686.33(a), 34 CFR 690.76(a): Frequency of disbursements for grants and Perkins Loans**

## Awarding Federal Supplemental Opportunity Grants (FSEOG) and Perkins Loans

The majority of the requirements for awarding FSEOG and Perkins Loans, including award amounts, loan limits, and the criteria for selecting recipients of aid under those programs, do not change under the CBE Experiment.

**Under CBE Split Disbursement, the process for calculating FSEOG and Perkins payments is the same as the process for calculating Pell Grants under CBE Split Disbursement, as described under Calculating Pell and Iraq & Afghanistan Service Grant Awards earlier in this chapter.**

1. Determine whether the FSEOG or Perkins award will be used to pay for direct costs only, or for both direct and indirect costs.
2. Calculate the percentage of the academic year that is associated with each payment period.
3. Multiply the amount assigned to direct or indirect costs by the applicable percentage.

Additional information regarding how to package funds under the CBE Experiment will be described under *Packaging* section later in this section.

**Example**

If FSEOG was the only award a student was receiving, and the student's Scheduled Award was \$4,000 and the student's direct costs were only \$3,000, then \$3,000 would be assigned to direct costs and \$1,000 would be assigned to indirect costs.

Note that under CBE Split Disbursement, crossover periods for FSEOG and Perkins Loans will function the same way as Pell Grants and

**Example**

Four direct cost payment periods of 6 semester hours each would each be 25% of the academic year.

TEACH Grants, as described above.

**Example**

If \$3,000 of the student's FSEOG award was assigned to direct costs, then \$3,000 would be multiplied by 25% for each of the payment periods, for a total of \$750 per payment period.

**Awarding Federal Work Study**

CBE Split Disbursement makes no changes to the awarding or disbursement requirements for the Federal Work Study (FWS) program.

## Packaging aid

### Exemption: Definition of a payment period

#### [34 CFR 668.4\(c\)](#): Definition of a payment period

Volume 3, Chapter 7 of the FSA Handbook describes the requirements for packaging Federal student aid. In general, packaging under CBE Split Disbursement will follow the same rules and requirements as packaging under normal Title IV rules, including:

- ▶ For the Pell program, payment schedules base the award solely on the student's cost of attendance, EFC, and enrollment status;
- ▶ For all other programs, financial need = COA minus estimated financial assistance (EFA) minus expected family contribution (EFC);
- ▶ Pell Grants should be packaged as the first and primary source of aid;
- ▶ Institutions should consider Pell Grants and subsidized loans first; and
- ▶ Certain non-need based aid (including Direct unsubsidized loans, TEACH Grant funds, PLUS Loans) may replace the EFC in a student's package.

However, there are a number of important differences in the packaging process for institutions participating in CBE Split Disbursement. These differences are described under *Packaging Timing*.

### Packaging timing

Under the normal Title IV rules, packaging occurs in nonterm programs when a student completes the credit/clock hours and the weeks of instructional time in the prior academic year.

**Under CBE Split Disbursement, packaging must be performed the first time a student reaches a new academic year, either when the student completes the competencies associated with the credit or clock hours, or the equivalent in the prior academic year, or when the student completes the weeks of instructional time in the prior academic year.**

When an institution packages aid for an academic year, it packages aid for both direct and indirect costs. In some cases, this will mean packaging for a period that has not yet begun. If an institution is not certain of costs for an estimated period of time, it must make a reasonable estimate based on the best information it has at that time. **Even if the institution is packaging for a future period, it should use the most appropriate valid EFC available for a student to package that student's Title IV aid.**



### Packaging Example 1

An institution offers a CBE program under CBE Split Disbursement that includes 48 semester hours and leads to an associate degree. There are 24 semester hours and 30 weeks in the institution's defined academic year for the program.

A Pell-eligible independent student with a zero EFC begins the CBE program on August 3rd, 2015.

#### Packaging for the first academic year

**AY 1: Direct Costs for 24 Semester Hours = \$4,000.**

Award: Pell = \$4,000

**AY 1: Indirect Costs for 30 Weeks = \$6,000**

Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725

This student moves very quickly through the program, and completes the competencies associated with the credit or clock hours or the equivalent in the first academic year in only 18 weeks, on December 7th, 2015. The institution packages the student for the second academic year as soon as the student successfully completes the coursework associated with the first academic year.

Because the student reaches the end of the academic year in December 2015 and the student's full Pell award has already been packaged, the student is not eligible for a new Pell award until the 16/17 award year, and is not packaged with Pell for the second academic year.

#### Packaging for the second academic year

**AY 1: Direct Costs for 24 Semester Hours: \$4,000**

Award: Pell = \$4,000

**AY 2: Direct Costs for 24 Semester Hours: \$4,000**

Award: Sub DL = \$3,500, Unsub DL = \$500

**AY 1: Indirect Costs for 30 Weeks: \$6,000**

Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725

**AY 2: Indirect Costs for 30 Weeks: \$6,000**

Award: Unsub DL = \$5,500

## Packaging Example 2

Another independent student with a zero EFC starts the same CBE program on August 3rd, 2015. This student's initial packaging will be very similar to the packaging in Example #1.

### Packaging for the first academic year

**AY 1: Direct Costs for 24 Semester Hours: \$4,000**

Award: Pell = \$4,000

**AY 1: Indirect Costs for 30 Weeks: \$6,000**

Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725

Unlike the student in Example #1, this student is struggling with the material and moving very slowly through the program. The student does not complete the competencies in the first academic year until 45 weeks have elapsed, on June 13th, 2016.

However, the 30th week is completed on February 29th, 2015. On that day, the institution packages the student for the second academic year.

### Packaging for the second academic year

**AY 1: Direct Costs for 24 Semester Hours: \$4,000**

Award: Pell = \$4,000

**AY 2: Direct Costs for 24 Semester Hours: \$4,000**

Award: Sub DL = \$3,500, Unsub DL = \$500

**AY 1: Indirect Costs for 30 Weeks: \$6,000**

Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725

**AY 2: Indirect Costs for 30 Weeks: \$6,000**

Award: Unsub DL = \$5,500

Because the student reaches the next academic year in weeks in February 2016, and the student's full Pell award has already been packaged, the student is not eligible for a new Pell award until the 16/17 award year.

An institution must also repackage Title IV aid when receipt of other aid or a change in a student's circumstances causes an overaward. This process is described later in this section under *Treatment of Overawards*.

## Packaging for direct and indirect costs

In CBE Split Disbursement, there are four steps to packaging Title IV aid.

1. Package aid and determine award amounts using full COA, EFA, and EFC. Provide the student with the opportunity to determine how much to borrow. Move to Step 2.
2. Identify direct and indirect cost components of COA. Move to Step 3.
3. Package aid for direct costs, using the most advantageous forms of aid (grants and subsidized loans) first.
  - If the student's direct costs are greater than all the student's Title IV aid for which the student is eligible, STOP. This student has been fully packaged.
  - If the student's Title IV awards are greater than the student's direct costs, move to Step 4.
4. Package any remaining aid for indirect costs.

## Repackaging aid

An institution must sometimes repackage a student's Title IV aid when it receives new information about a student's situation. For example, the institution might perform a professional judgment to reduce the student's EFC based on information that the student was unemployed, or it might increase a student's COA based on additional educational costs incurred by the student. A student may also receive other types of financial assistance during the academic year that must be counted as EFA and could affect the student's package.

Repackaging based on changes to a student's situation can also take place under CBE Split Disbursement. However, under the CBE Split Disbursement set of waivers, an institution must take the additional step of determining whether the changes to a student's eligibility for Title IV aid affects the student's distribution of direct and indirect costs, and must take that distribution into account when repackaging the student's aid.

### Repackaging when a student's eligibility increases

If a student becomes eligible for additional Title IV aid during an academic year, the institution would repackage the student's Title IV aid using the steps above, adding the additional aid first to direct costs and then any remaining aid to indirect costs.

### Repackaging when a student's eligibility decreases

If a student's Title IV aid eligibility decreases during an academic year, the institution would follow the procedures to resolve an overaward, including reducing disbursement amounts for future payment periods and repackaging according to the steps described above. In some cases, if the decreased eligibility results in an overaward and all Direct Loan funds for the loan period have already been disbursed, no additional action is necessary.

### Redistributing disbursements when a student's costs change

When a student's direct or indirect costs change during an academic year, an institution must change the timing and amounts of future disbursements of the student's Title IV aid to account for the changes. An institution is not required to change the distribution of a student's disbursements for payment periods that have already begun.

#### Example 1

If a student is in the second of four payment periods for direct costs and the third of four payment periods for indirect costs, and the student incurs an additional \$2,000 in direct costs, the institution must distribute that \$2,000 over the remaining 2 direct cost payment periods in the academic year, increasing the aid allocated to those periods. That change in allocation could result in a reduction in the student's indirect cost disbursements for the 4th indirect cost payment period.

#### Example 2

A student is in a program that charges using subscription periods. The institution's defined academic year is 52 weeks in duration, and it has two subscription periods of 26 weeks each. Enrollment in a subscription period costs \$2,000 for work on any competencies during that period.

However, the student is moving slowly through the program, and does not complete the competencies in the academic year by the end of the 52nd week (though the student has completed 70% of the expected competencies at that time and passes her SAP evaluation). Therefore, the student must begin a new subscription period in order to finish those competencies. Because the student needs an additional subscription period in order to complete the competencies in her first academic year, the student incurs \$2,000 in charges for an additional subscription period that the institution did not anticipate when it initially packaged the student's aid.

In this example, the student has already received all the aid associated with indirect costs for the first academic year when the additional direct costs are incurred. Therefore, if this student were eligible to receive an additional \$2,000 in aid for the first academic year at the time that the additional costs were incurred, that aid would be distributed over the student's remaining direct cost payment periods in the academic year.

Changes in costs may also result in changes to the student's overall eligibility for Title IV aid, which would result in repackaging as described above.

### Treatment of overawards

If, at any time during the award period, the student receives additional EFA that was not considered in calculating the student's eligibility for Campus-Based aid, and if the EFA combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.



#### Reminder

**Under CBE Split Disbursement , if an overaward occurs at any time during the award period, the institution must repackage aid for both direct and indirect costs at that time in order to resolve the overaward.**

For example, if you discover that there's going to be an overaward before Direct Loan or Direct PLUS Loan funds are disbursed, you must eliminate the overaward through the packaging process by canceling the loan or by making a downward adjustment to a Direct Loan, or by reducing/canceling aid over which you have direct institutional control. **In CBE Split Disbursement, this could mean reducing future disbursements for direct costs, indirect costs, or both.** If the overaward situation occurs after Direct Loan funds have been disbursed to the borrower, there is no Direct Loan overaward that needs to be addressed; however, you might need to adjust the student's aid package to prevent an overaward of Campus-Based funds.

## PROCESSING AID AND MANAGING FSA FUNDS

Volume 4, Chapter 1 of the FSA Handbook provides information on the rules and procedures for requesting and managing funds, including requesting funds from the Department's G5 system. Those rules and procedures are not affected by an institution's participation in CBE Split Disbursement.

### *Disbursing FSA funds*

Volume 4, Chapter 2 of the FSA Handbook describes the various requirements for disbursements of funds under the Title IV programs. Those requirements, including notifications of disbursements, authorizations for payment for certain types of charges, timeframes for paying Title IV aid, use of third-party servicers to disburse Title IV aid, and requirements for checking a student's eligibility at the time of disbursement, do not change under CBE Split Disbursement.



#### **Reminder**

**Note that under CBE Split Disbursement, if a student authorizes an institution to pay his/her Title IV funds for charges other than those identified as direct costs (tuition, fees, books and supplies), including prior year charges, the institution would add those charges to the student's total direct costs for purposes of determining disbursement dates and amounts.**

**However, under CBE Split Disbursement, an institution cannot hold disbursements intended for a student's indirect costs, even if otherwise authorized by the student to do so. An institution must disburse Title IV aid intended for indirect costs within 14 days of the beginning of a new indirect cost payment period.**

### **Method of disbursement**

Under CBE Split Disbursement, the same requirements apply for disbursements of Title IV aid to a student's account and direct disbursements to a student.

When an institution disburses Title IV aid to a student by crediting a student's account, it may do so only for allowable charges, including tuition and fees and books and supplies, if contracted by the school.

In general, direct cost disbursements may be credited to a student's account for allowable charges. The exception is the amount of Title IV aid assigned to costs for books and supplies, which must be paid as direct disbursements to students unless the institution:

1. has a written contract or other legal agreement with the entity operating the bookstore under which the student is able to charge educationally related goods and services, and
2. obtains the student's authorization.

When both of the above criteria are met, an institution may credit a student's account with Title IV aid associated with the cost of books and supplies.

In general, indirect cost disbursements must be made by disbursing the funds directly to students or parents, as applicable. An institution may choose to first credit Title IV aid to the student's account before making a direct disbursement to the student.

An exception to the rule above occurs when an institution contracts with the student for room and board charges. An institution may credit a student's account with Title IV aid for room and board if the student contracts those items with the institution.



### Reminder

**Under CBE Split Disbursement, Title IV aid for room and board may only be paid as an indirect cost disbursement when a student has begun an indirect cost payment period.**

A direct disbursement of Title IV aid occurs when an institution:

- ▶ Issues a check payable to and requiring the endorsement of the student or parent;
- ▶ Initiates an EFT to a bank account designated by the student or parent, including transferring funds to stored-value cards and debit cards; or
- ▶ Dispenses cash for which the institution obtains a signed receipt from the student or parent.

## Timeframe for paying FSA credit balances

A Title IV credit balance occurs whenever your school credits Title IV program funds to a student's account and the total amount of those Title IV aid exceeds the student's allowable charges. Under CBE Split Disbursement, such credit balances may not occur often because aid is disbursed differently for direct and indirect costs. However, if a credit balance does occur, the institution must follow the normal rules for providing that credit balance to the student, or in the case of PLUS Loan funds, to the parent.

## Special provisions for books and supplies

By the seventh day of a payment period, a school must provide a way for a student who is eligible for a Federal Pell Grant to obtain or purchase the books and supplies required for the payment period if:

- ▶ ten days before the beginning of the payment period, the school could have disbursed FSA funds to the student; and
- ▶ disbursement of those funds would have created an FSA credit balance.

A school must consider all the FSA funds a student is eligible to receive at the time it makes the determination, but the school need not consider aid from non-FSA sources. These requirements do not change under CBE Split Disbursement.



### Reminder

**Books and supplies are considered direct costs under CBE Split Disbursement. An institution must ensure that a student with available aid at the beginning of a direct cost payment period has the means to use his/her Title IV aid to purchase books and supplies.**

## Late disbursements

All of the normal provisions and requirements for late disbursements, as described in Volume 4, Chapter 2 of the FSA Handbook, will apply under CBE Split Disbursement. See below under “Withdrawals and the Return of Title IV Funds” for additional information about the application of the late disbursement rules in CBE Split Disbursement.

## Other Issues with processing and managing Title IV Aid

The remaining chapters under Volume 4 of the FSA Handbook describe the requirements for resolving overawards and overpayments, returning Title IV aid, and reconciling the Title IV grant and loan programs. All of the requirements described under those chapters will apply under CBE Split Disbursement.



## WITHDRAWALS AND THE RETURN OF TITLE IV FUNDS

### Exemption: Treatment of Title IV Funds when a student withdraws

[HEA Section 484 B and 34 CFR 668.22](#) – Institution not required to comply with requirements for determination of amount earned upon withdrawal , and returns of Title IV funds, for students who begin attendance.

Under CBE Split Disbursement, the institution is NOT exempt from [34 CFR 668.22\(a\)\(2\)](#) regarding when a student is treated as withdrawn and [34 CFR 668.22\(a\)\(6\)](#) regarding notifications pertaining to possible post-withdrawal disbursements of Direct Loan program funds.

Volume 5 of the FSA Handbook describes the steps an institution must take when a student withdraws, the requirements for calculating the amount of Title IV aid that a student earns when he/she withdraws during a payment period, and the requirements for returning unearned Title IV aid.

**Under CBE Split Disbursement, the majority of Return of Title IV (R2T4) requirements are waived for students who begin attendance.** The majority of the requirements described in Volume 5 of the FSA Handbook are therefore not applicable for programs under CBE Split Disbursement.

### Comparison between current rules and experiment

| Current Rules   | Experiment   |
|---|--|
| R2T4 calculation is required if a student withdraws during the payment period | <ul style="list-style-type: none"> <li>▶ Because payment periods are shorter and disbursements are smaller, R2T4 calculations are not required for students who begin attendance</li> <li>▶ Institutions must pay grant funds and/or notify students of loan funds that could have been disbursed as of the withdrawal date</li> </ul> |

**Given these waivers, under CBE Split Disbursement, an institution will not be required to perform an R2T4 calculation when a student withdraws during a payment period.** However, if a student ceases to be academically engaged, or fails to enroll in any competencies, for 45 days, the institution must consider the student to have withdrawn and no further Title IV aid may be disbursed. **This requirement applies under CBE Split Disbursement regardless of whether the institution meets the definition of an institution required to take attendance under [34 CFR 668.22\(b\)\(3\)](#).**

An institution will still have to comply with regulations for late disbursements, except that an institution is not required to make a post-withdrawal disbursement in accordance with an R2T4 calculation under [34 CFR 668.22](#). However, an institution will be required, within 45 days of determining that a student has withdrawn, to notify the student of any loan funds for which the student might be eligible and maintain a process for issuing those funds to the student or the student's account upon request.

An institution must contact a student prior to making any late disbursement of Title IV loan funds and explain to the student his or her obligation to repay the loan funds if they are disbursed. The information provided in this notification must include the information necessary for the student or parent to make an informed decision about whether the student or parent would like to accept any disbursement of the loan funds. In addition, the school must confirm that the loan funds are still needed by the student and that the student wishes the school to make the disbursement.

Likewise, the institution must also pay to the student any grant funds that the student was eligible to receive at the time of the withdrawal. An institution may credit a student's account with a late disbursement of Title IV grant funds without the student's permission for any current allowable charges. A school must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges.

Finally, an institution must comply with the requirements in [34 CFR 668.21](#) to return funds for a payment period in which a student did not begin attendance.



### Reminder

**Under CBE Split Disbursement, this means that if an institution inadvertently makes a disbursement for indirect costs even though the student has ceased academic engagement at the time of the disbursement, the institution will be required to return the entirety of that disbursement to the Department if, for:**

- ▶ **Perkins Loan, FSEOG, TEACH Grant, and Federal Pell Grant program funds, the disbursement is credited to the student's account at the institution or disbursed directly to the student for that payment period or period of enrollment; or**
- ▶ **Direct Loan funds, the funds were disbursed to the student's account, or were disbursed directly to the student when the institution knew that the student would not begin attendance in the payment period prior to disbursing Direct Loan funds directly to the student for that payment period.**

## THE CAMPUS-BASED PROGRAMS

There are no changes to the rules for administration of the campus-based programs under the CBE Experiment. Institutions should follow the requirements as described in Volume 6 of the FSA Handbook.

## PUTTING IT ALL TOGETHER—DISBURSEMENT PROGRESSION UNDER THE CBE SPLIT DISBURSEMENT SET OF WAIVERS

The modified rules and requirements described above provide an overview for CBE Split Disbursemental process for providing Title IV aid to students in a CBE program. Below, we provide additional information and examples of how this process works.

### *Academic Year progression chart*

When a student completes the competencies associated with the credit hours in the academic year before completing the weeks of instructional time in the academic year, or vice versa, there are different requirements associated with different Title IV programs. Those requirements are described in the chart that follows.

| Academic Year Progression in CBE Split Disbursement, by Title IV Program |                                  |  |  |
|--|----------------------------------|--|--|
| Title IV, HEA Program  |                                  | Student's Rate of Progress   |  |
|  |                                  | Student Completes Hours Before Weeks   | Student Completes Weeks Before Hours   |
|  | Pell Grants and TEACH Grants     | Student may not receive a disbursement for direct costs from a new academic year until weeks in prior academic year are completed.   | Student may not receive a disbursement for indirect costs from a new academic year until hours in prior academic year are completed.     |
|  | Direct Loans                     | Student may not receive a new annual loan limit for direct costs until weeks in prior academic year are completed. Student may receive a grade level increase to the current annual loan limit, if applicable. | The next academic year can immediately begin, and disbursements of indirect costs associated with a new annual loan limit may be made.   |
|  | Campus-Based Aid (excluding FWS) | Institution determines whether additional aid is provided from new academic year, subject to award year limits and program requirements.   | Institution determines whether additional aid is provided from new academic year, subject to award year limits and program requirements. |

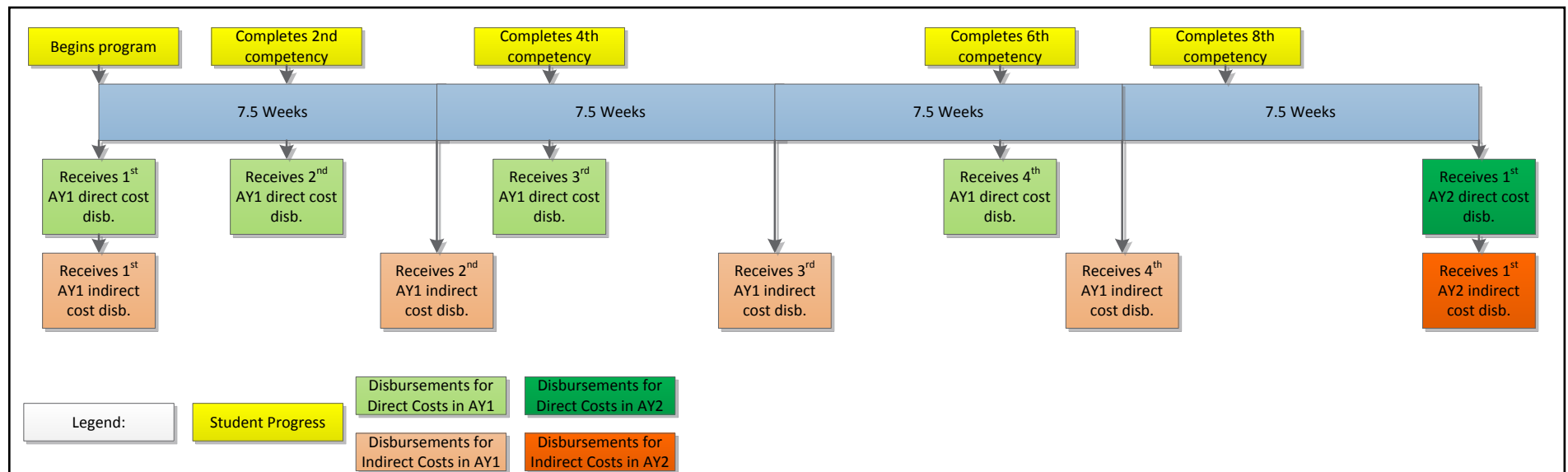
### Disbursement progression example: student accelerating through program - 1st Academic Year

In the following example, we provide a visual aid to describe how aid disbursement under CBE Split Disbursement would work. It is important to note that the legend in the bottom left hand corner. The yellow boxes show a student's progression through program. The blue line will show how aid would be disbursed in CBE Split Disbursement.

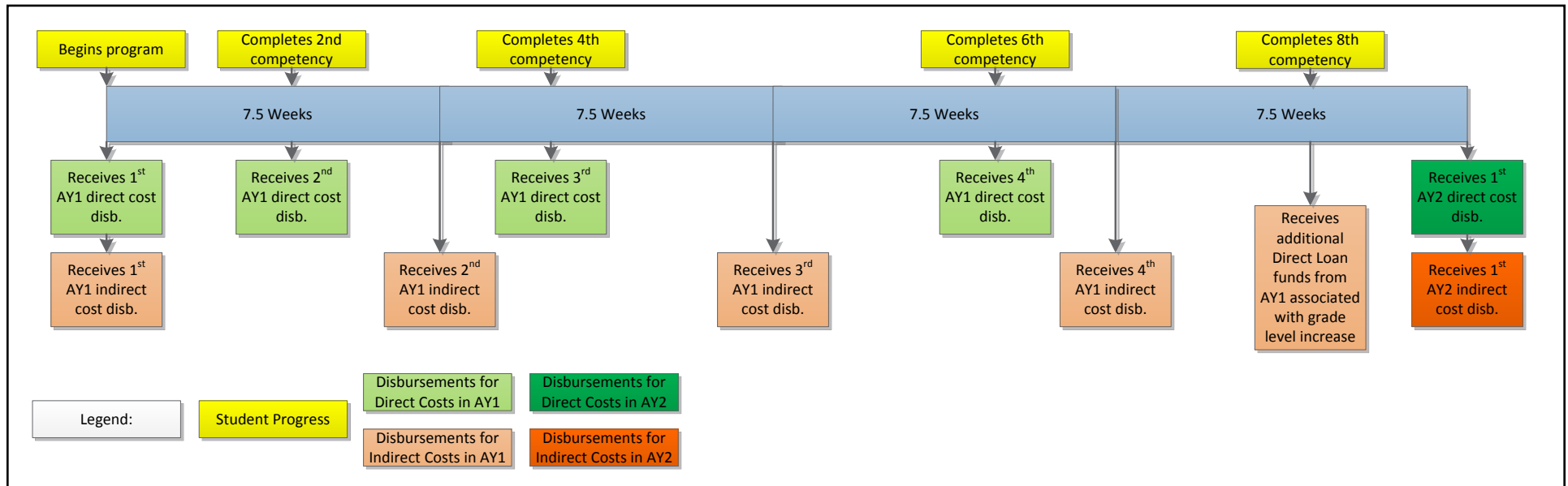
Note that in this program, 1 competency equals three credit hours. For the purposes of this example, we will assume that the school's defined academic year is 24 credit hours and 30 weeks long. The school also defines a grade level increase as the completion of 24 credit hours. The school has chosen to use payment periods equal to 25% of the hours and weeks in the program.

First, the school packages the student with Federal student aid for the academic year. The aid will be absorbed by direct costs first, and then by indirect costs. Direct costs will be disbursed in four equal disbursements each time the student completes 2 competencies, which is 25% of the competencies in the academic year, and indirect costs will be disbursed in regular calendar intervals of 7.5 weeks each, which constitutes 25% of the weeks in the academic year.

Now let's follow the student as she works through her program. Note that in this example, this student is accelerating through her program, and is completing most of her competencies ahead of schedule.

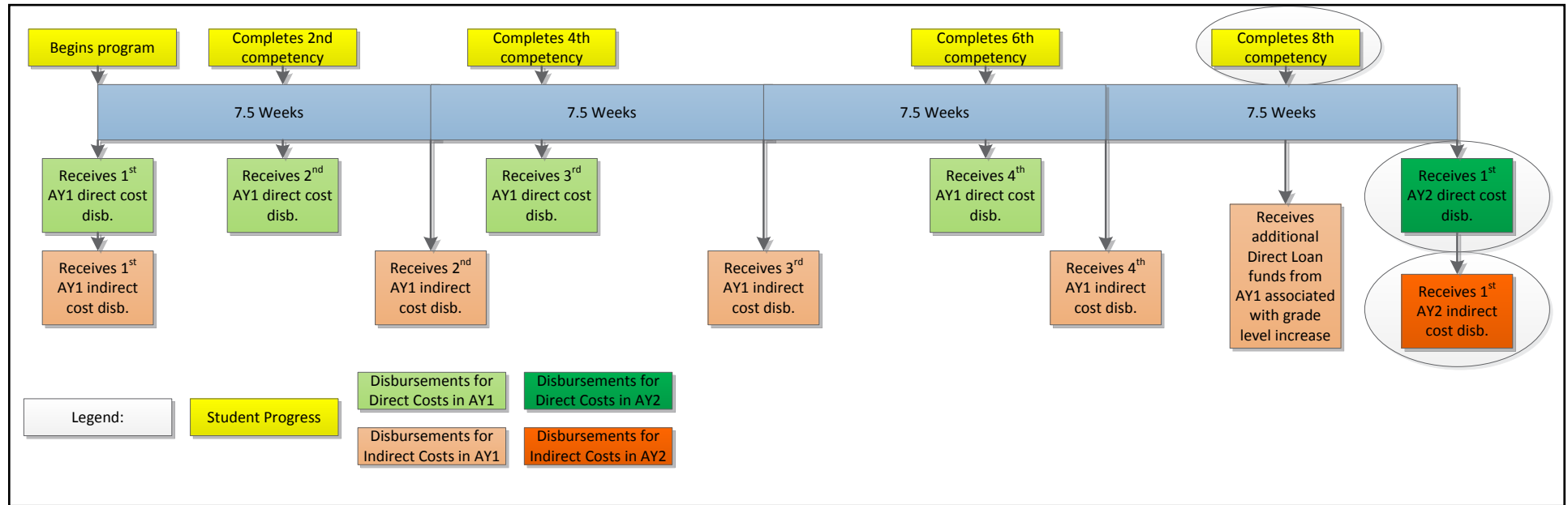


- ▶ First disbursements occur at the beginning of her program: one quarter of the student's aid packaged for direct costs and one quarter of the student's aid packaged for indirect costs will be disbursed at the same time.
- ▶ When the student completes her 2nd competency, she has completed 25% of the credit hours in the academic year, so she receives a new disbursement for direct costs.
- ▶ Then the student completes 7.5 weeks, and receives a new disbursement for indirect costs.
- ▶ This continues as the student progresses through her program, except pay attention when the student completes her 8th competency – remember, that's the equivalent of 24 semester hours – the student does NOT yet receive any funds associated with her 2nd academic year until the student also completes the weeks associated with her academic year. However, the student could receive any additional Direct Loan funds associated with a grade level increase as soon as she completes her 8th competency.
- ▶ **REMEMBER** Under the CBE Split Disbursement set of waivers, an institution may not package Pell Grants, TEACH Grants, or Direct Loans for a student's next academic year until the student has completed the weeks of instructional time in the prior academic year, even if the student completes the competencies in the academic year earlier than that. Perkins Loans and FSEOG have annual limits, not limits by academic year, so an institution could choose to make disbursements of Perkins or FSEOG funds for a 2nd academic year before the student has completed the weeks in the 1st academic year.



*Disbursement progression example: Student accelerating through program – transition to 2nd Academic Year*

**Note:** To clearly see the second academic year transition, we have placed a circle around each disbursement from the second academic year. We have also circled the point at which the student completes the competencies in the academic year.

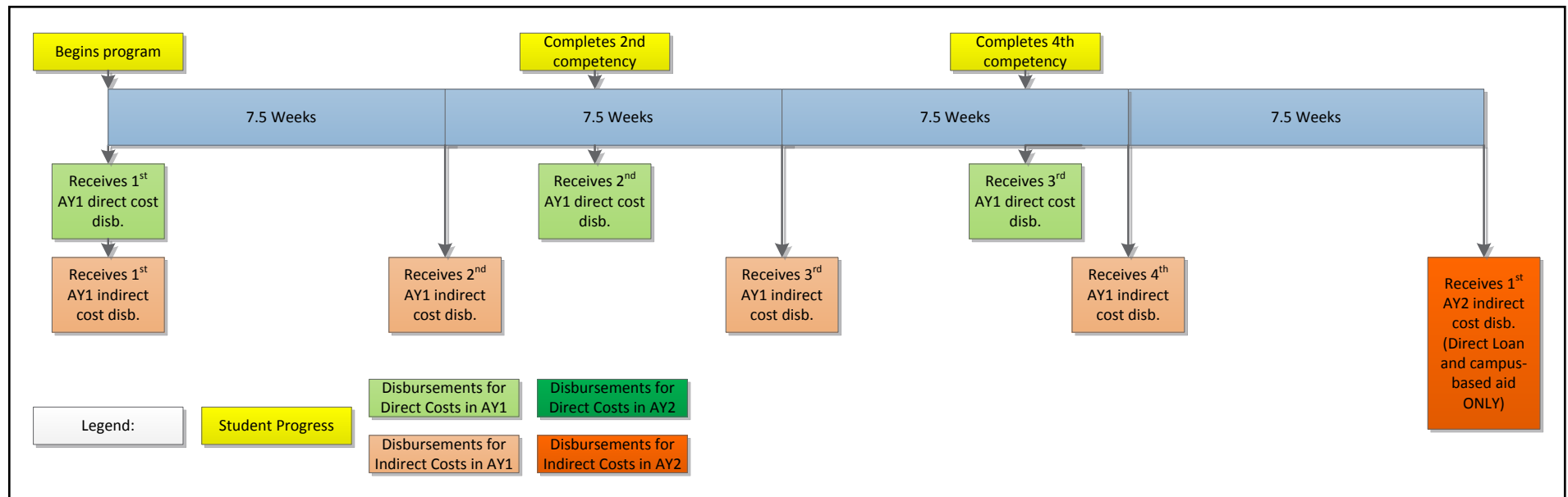


### Disbursement progression example: Student moving slowly through program – 1st Academic Year

Here is a second example using the same program, but a different student and rate of progression. Again, the yellow boxes show the student's progression and the blue line shows how aid would be disbursed under the CBE Experiment.

Note that this student is moving more slowly through her program than our previous student.

- ▶ Just like the last example, this student's first disbursements occur at the beginning of her program. This includes a quarter of the student's aid for the academic year under the CBE Split Disbursement set of waivers.
- ▶ When the student finishes his first 7.5 weeks, he will receive a new disbursement for indirect costs under CBE Split Disbursement.
- ▶ The student finally completes his 2nd competency at around the 10th week. At that point, he receives a new disbursement for direct costs.
- ▶ At the midpoint of the weeks in the academic year, the student will receive his 3rd disbursement for indirect costs.
- ▶ When the student completes his 4th competency, he has completed half of the competencies in the academic year, so he receives another disbursement for direct costs. After that, the student receives his 4th disbursement for indirect costs from the first academic year after completing the next 7.5 weeks.

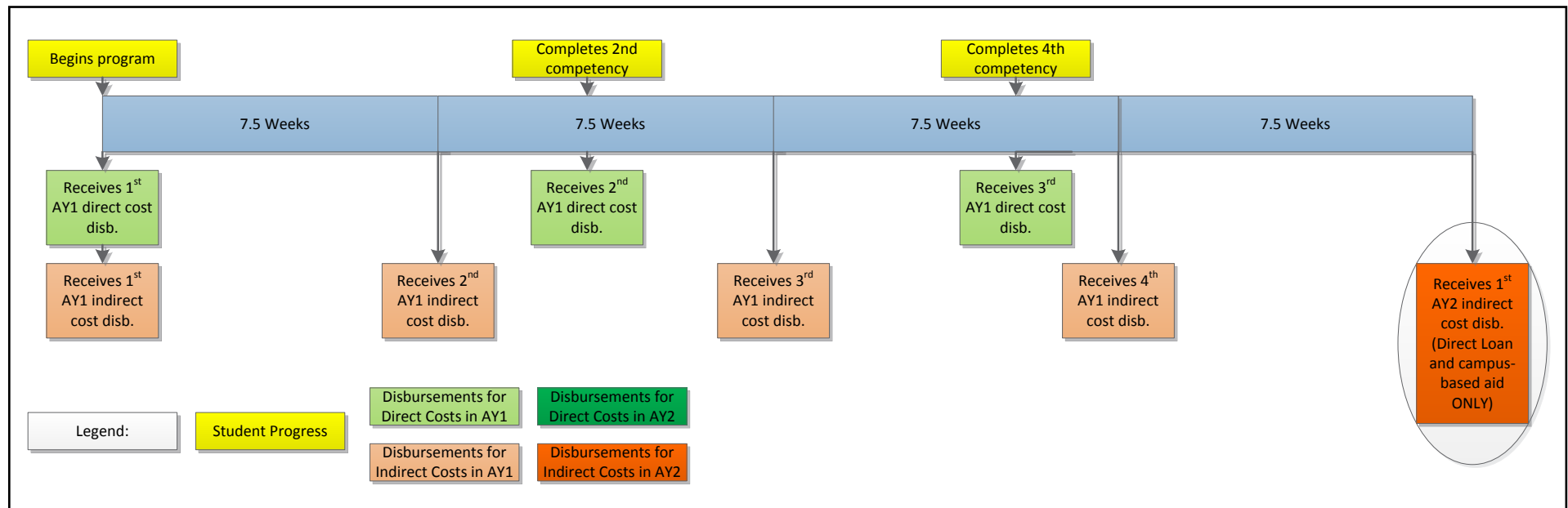


### Disbursement progression example: Student moving slowly through program – Transition to 2nd Academic Year

- ▶ The student doesn't complete his next two competencies until after the end of 30 weeks. But under CBE Split Disbursement, the student can continue to receive disbursements from the 2nd academic year for indirect costs to support his living expenses.
- ▶ **REMEMBER** The institution can package the student with aid from a new Direct Loan, FSEOG award, or Perkins Loan when the student has completed the weeks of instructional time before completing the hours, but Pell Grant and TEACH Grant funds cannot be packaged for the new academic year until the student has completed both the hours and the weeks in the prior academic year.

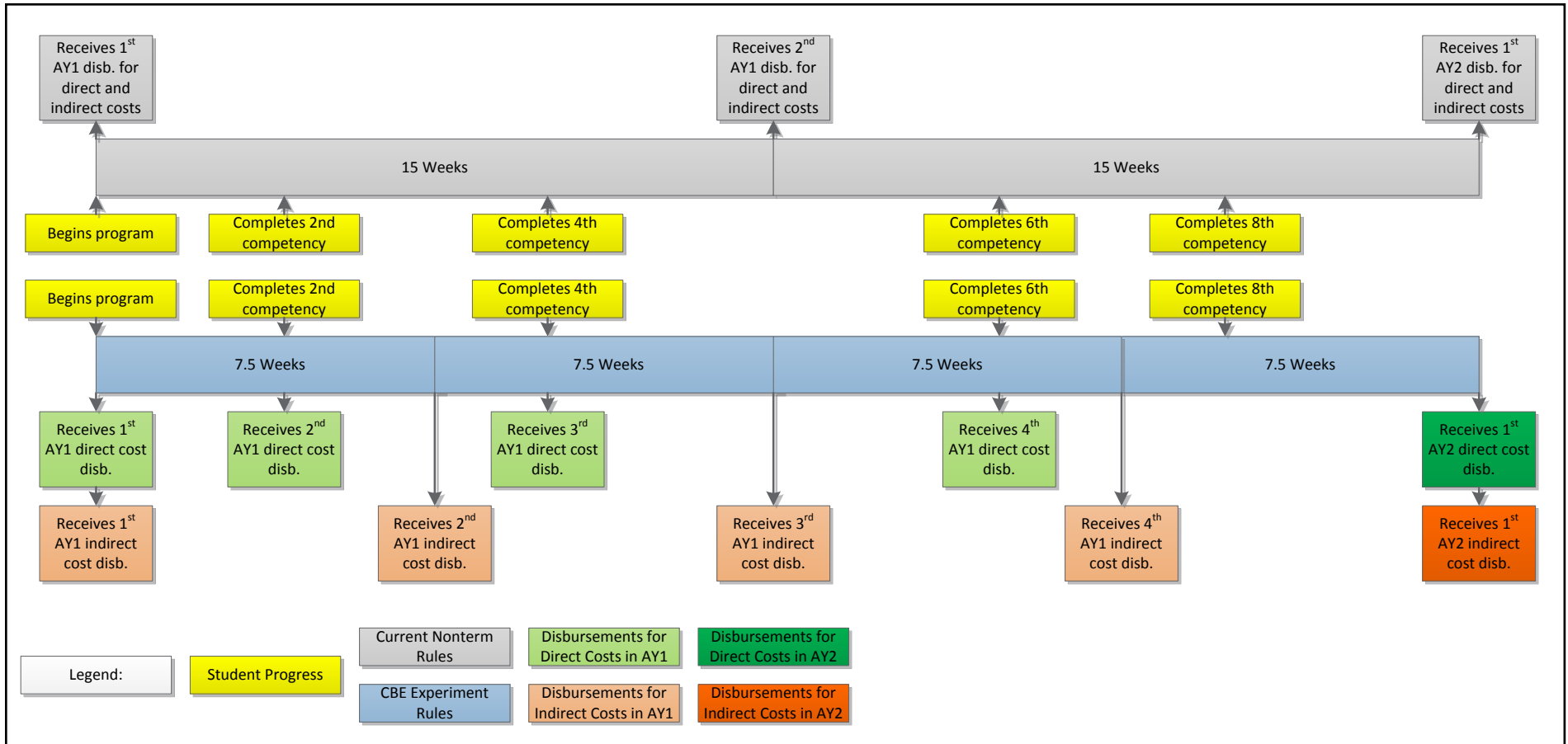
*We have circled the 2nd academic year indirect costs disbursement.*

Note that even though this student is permitted to keep receiving disbursements for indirect costs for now, the institution would still need to conduct a SAP evaluation at the 30th week to ensure that the student was on pace to complete the program within 150% of the published length. If not, the student could lose eligibility for Federal student aid, subject to an appeal and review by the school.

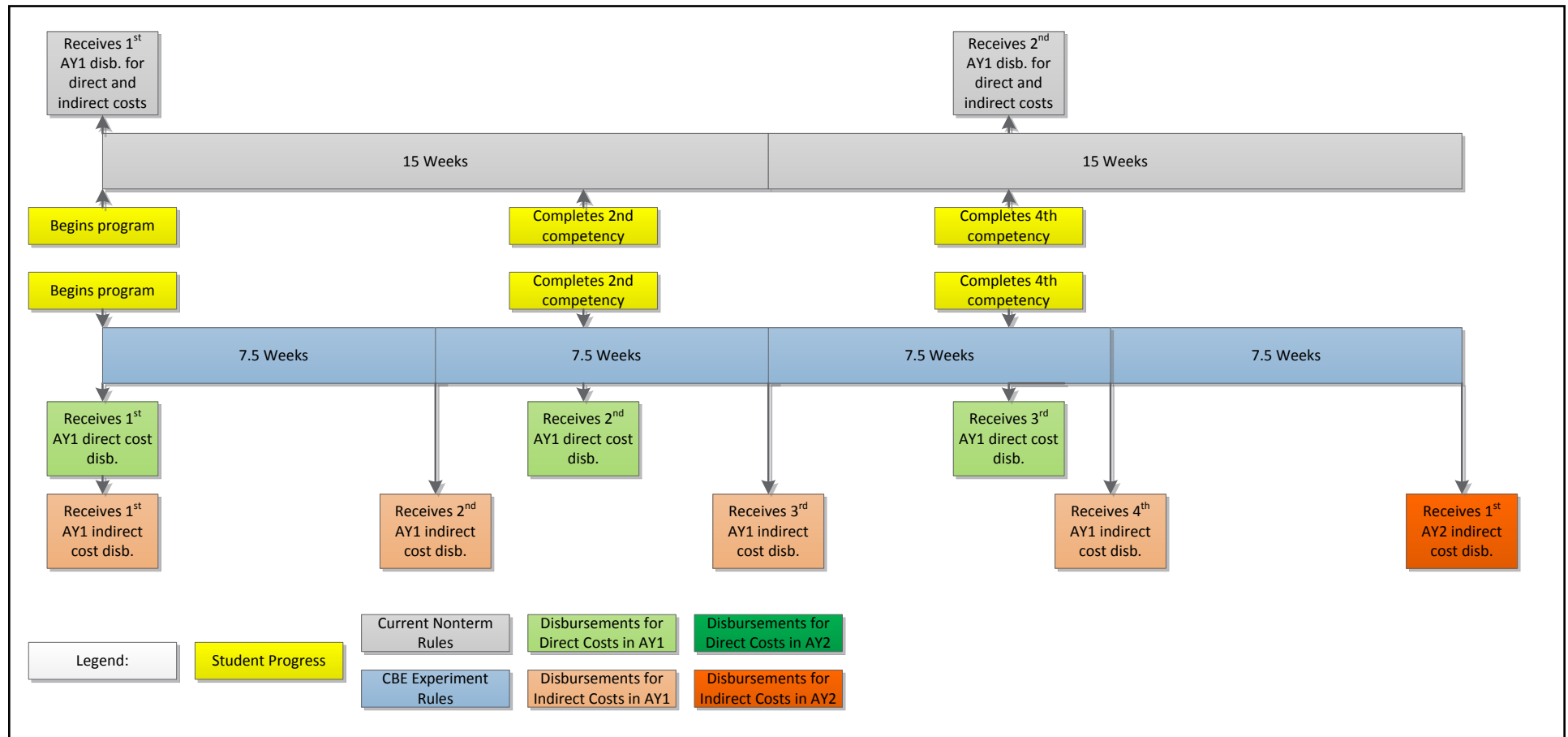




## Comparison between current nonterm rules and experimental rules: Student moving quickly



Comparison between current nonterm rules and experimental rules: Student moving slowly



## References and Resources



[July 31, 2014 Federal Register](#)

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# Modified Rules and Requirements: Satisfactory Academic Progress Only



The Competency-Based Education—Satisfactory Academic Progress Only (CBE SAP Only) set of waivers provides modifications to Federal requirements for how institutions provide Federal student aid to students enrolled in self-paced CBE programs. This Section places those changes in context and provides detailed instructions for how institutions must process Title IV aid under the CBE SAP Only set of waivers.

## OVERVIEW OF WAIVERS AND MODIFIED REQUIREMENTS

The CBE SAP Only set of waivers will provide a limited waiver of certain statutory and regulatory requirements related to the timeframe when an institution must determine whether a student is making satisfactory academic progress and to the method by which an institution must calculate the pace of a student's academic progression.

This Section of the Guide will provide detailed information on the waivers and modifications to Title IV rules and regulations included in the CBE SAP Only set of waivers.

## APPLICATION AND VERIFICATION

There are no changes to the rules for application and verification under the CBE SAP Only set of waivers. Institutions should follow the requirements as described in the FSA Handbook, Application and Verification Guide.

## STUDENT ELIGIBILITY

### *Satisfactory Academic Progress*

#### **Exemption: Satisfactory Academic Progress**

Volume 1, Chapter 1 of the FSA Handbook describes certain basic requirements for an institution's Satisfactory Academic Progress (SAP) policy. The Handbook notes that an institution's SAP policy must include both quantitative (time-based) and qualitative (grade-based) standards, and both standards must be reviewed at each evaluation point.

Regarding the qualitative component of a SAP evaluation, [Dear Colleague Letter GEN 14-23](#) clarifies the requirements for a SAP policy in a CBE program by noting that if an institution documents that the degree of mastery necessary to complete a competency in a CBE program equals or exceeds the equivalent of a "C" grade in a traditional program, then the institution may consider a student to have met the SAP qualitative measure as long as that student has an academic standing consistent with the institution's requirements for graduation from the program.

The CBE SAP Only set of waivers does not change these basic SAP requirements as set forth in the FSA Handbook and DCL GEN 14-23.

**The CBE SAP Only set of waivers makes significant changes to the requirements for the quantitative (time-based) component of an institution's SAP evaluations. Under the CBE SAP Only set of waivers, the timeframe for performing a SAP evaluation is determined using the weeks of instructional time in the program's academic year, while the criteria for determining a student's pace is the number of credits, clock hours, or the equivalent that a student has completed over the timeframe for the evaluation.**

### **The CBE SAP Only set of waivers waives the following text in the handbook:**

The Handbook states that an institution must “calculate the pace at which a student is progressing by dividing the total number of hours the student has successfully completed by the total number he has attempted.”

**Under the CBE SAP only set of waivers, an institution must evaluate a student's SAP upon the student's completion of each of the program's academic years, as measured in weeks of instructional time (i.e., at least 30 weeks for a program with credit hour equivalencies and at least 26 weeks for a program with clock hour equivalencies).** An institution that evaluates SAP only upon completion of each of the program's academic years cannot provide a warning period; a student who does not meet SAP at such an institution loses Title IV eligibility (absent a successful appeal if the institution's SAP policy provides for appeals). However, an institution may choose to evaluate a student's SAP at the end of each payment period rather than only at the end of each of the program's academic years. Under the CBE SAP Only set of waivers, if an institution evaluates a student's SAP at the end of each indirect cost payment period, the institution may utilize a warning period if the student fails a single evaluation.

In its evaluation of a student's SAP, the institution will determine whether the student has completed competencies associated with sufficient credit hours, clock hours, or the equivalent to complete the program within the maximum timeframe, that, for an undergraduate program, is no more than 150 percent of the program's published length, as provided in the definition of “maximum timeframe” in the regulations at [34 CFR 668.34\(b\)](#).

In other words, the institution will compare the credit hours, clock hours or equivalencies correlated with the competencies completed with the number of credit hours, clock hour or equivalencies the institution has established for purposes of ensuring, at that time, that the student is on pace to complete within the maximum timeframe.

An institution is also permitted to use a graduated completion percentage for each year of a program. For example, your policy can permit students to complete a lower percentage of coursework in the first academic year but require them to complete an increasing percentage in subsequent years so that they finish their program within 150% of normal time.

**Under the CBE SAP Only set of waivers, a program's maximum timeframe is expressed in calendar time. An institution may offer different versions of the same program (for example, a full-time version and a part-time version) with different maximum timeframes.**

### **Programs lasting one academic year or less**

Under the CBE SAP Only set of waivers, if an institution offers a CBE program lasting one academic year or less, the institution's SAP policy for that program must require an academic progress evaluation at the end of each payment period.

All other requirements described in Volume 1 of the FSA Handbook remain in effect for institutions participating in the CBE SAP Only set of waivers.

## SCHOOL ELIGIBILITY AND OPERATIONS

Institutions participating in the CBE SAP Only set of waivers must follow a modified process for applying to the Department to include educational programs. That process is described in greater detail in Section 2 of this Guide.

### *Program Participation Agreement*

Volume 2, Chapter 1 of the FSA Handbook describes the Program Participation Agreement (PPA) and the process for executing that agreement. Section 2 of this Guide (page 1) describes the additional requirement under the experiment that the institution execute an amendment to its PPA, which must be signed by the school's president, chief executive officer, or chancellor, and an authorized representative of the Secretary of Education, before the institution may participate in the CBE SAP Only set of waivers.

### *Direct Assessment Programs*

Volume 2, Chapter 2 also provides a definition for a “direct assessment program” and describes the requirements for such programs. Participation in the CBE SAP Only set of waivers does NOT change any of the requirements for offering a direct assessment program.

An institution may participate in both the CBE Experiment (including the SAP Only set of waivers) and also the Limited Direct Assessment (LDA) Experiment – an institution's participation in the LDA experiment would alter the requirements for a direct assessment program. Please see the [July 31, 2014, Federal Register Notice](#) for additional information.

### *Regular and Substantive Interaction*

Volume 2, Chapter 2 of the FSA Handbook describes the requirements for a distance education program, including the requirement that a distance education program support regular and substantive interaction between the students and instructors. Only programs that require regular and substantive interaction may participate in the CBE Experiment. We do not consider interaction that is wholly optional or initiated primarily by the student to be regular and substantive interaction between students and instructors. Interaction that occurs only upon the request of the student (either electronically or otherwise) would not be considered regular and substantive interaction.

However, as described in [Dear Colleague Letter GEN 14-23](#), institutions have flexibility in how they define “regular and substantive interaction.” Some institutions design their CBE programs using a faculty model where no single faculty member is responsible for all aspects of a given course or competency. In these models, different instructors might perform different roles: for example, some working with students to develop and implement an academic action plan, others evaluating assessments and providing substantive feedback (merely grading a test or paper would not be substantive interaction), and still others responding to content questions.

Such a model may be used to ensure regular and substantive interaction between students and instructors. However, in applying such a model, an institution must ensure that the interaction is provided by institutional staff who meet accrediting agency standards for providing instruction in the subject matter being discussed, that the interaction is regular, and that the amount of faculty resources dedicated to the program is sufficient in the judgment of the accrediting agency. Interactions between a student and personnel who do not meet accrediting agency standards for providing instruction in the subject area would not be considered substantive interaction with an instructor.

For institutions providing CBE programs under the CBE Experiment, there are two important considerations regarding the “regular and substantive interaction” requirements:

Students must have access to qualified faculty; and programs must be designed to ensure regular and substantive interaction between students and those faculty members.

**Access to qualified faculty**—Qualified means that the faculty possesses the appropriate academic credentials and experience in the applicable knowledge domain, as determined by the accrediting agency. This faculty access must be available to students who are struggling to master learning materials or objectives or for any reason when the student wants to interact with a faculty member (e.g. seeking explanation of feedback on an assessment or assignment, career advice, desire for more information on a topic). Learning coaches, online tutoring, and other support can be offered and used and may even account for the majority of students’ support (and success), but programs must, as discussed above, include access to an academically qualified faculty member at least when students need or want it.

If a faculty member is not the primary monitor of student engagement with learning (as in traditional instructional models), the institution must have some combination of staffing and systems to monitor student engagement, level of performance, and to provide proactive support. It is incumbent on the institution to demonstrate that students are not left to educate themselves, a chief characteristic of correspondence programs.

**Program design**—A program must be designed with the expectation that regular and substantive interaction between students and faculty is an integral part of an educational program.

The term **regular** means periodic and while it can be broadly interpreted, it should be understood as predictable regularity and built into program design. Recognizing that most (though not all) CBE programs are self-paced at least to some extent, predicted regularity can be event-driven and include, but is not limited to, completion of certain key competencies, a percentage of competencies, or the submission of assessments. While individual students may elect not to initiate contact with qualified faculty, program design must include periodic contact by qualified faculty with the students. Those contacts could be made through the use of email or other social media, but must create the opportunity for substantive interaction. Note that while an automated system for initiating contact with students could be one aspect of program design, such a system in and of itself could not meet the requirement for **regular and substantive interaction**.

The term **substantive** can also be broadly interpreted, but refers specifically to interaction, or the opportunity for interaction, with a student that is relevant to the academic subject matter in which the student is engaged. Substantive interaction could include direct instruction, substantive feedback to assessments, or, as described above, contacts with students that create the opportunity for relevant discussion of academic subject matter.

Assessment is an important part of the educational equation in all instances, but takes on particular importance in outcomes-focused programs like CBE. The statutory language pertaining to **regular and substantive interaction** does not require that faculty administer and/or grade all assignments, though faculty feedback on student assignments may be a very effective form of substantive interaction. Some assessments might be exam based and machine graded, but those forms of assessment would not be considered substantive interaction. Traditional higher education has long used teaching assistants, such as graduate students within the discipline, to assess and grade student work, and this is acceptable in CBE programs.

There is an additional requirement under the CBE Experiment that programs **MUST** be designed to require regular and substantive interaction between students and instructors; correspondence programs may not be included in the CBE Experiment.



## *Satisfactory Academic Progress*

### **Exemption: Satisfactory Academic Progress**

Volume 2, Chapter 3 of the FSA Handbook describes the requirements for an institution's Satisfactory Academic Progress (SAP) policy. Certain aspects of these requirements are changed under the CBE SAP Only set of waivers, as described above under Student Eligibility.

### *Audits and Program Reviews*

Volume 2, Chapter 4 of the FSA Handbook describes the audit requirements for institutions participating in the Title IV, HEA programs, and Volume 2, Chapter 8 describes program reviews that the Department conducts at schools. Participation in the CBE SAP Only set of waivers does not change an institution's responsibility to have an independent auditor conduct an annual audit of the school's compliance with the laws and regulations that are applicable to the FSA programs, nor does it waive an institution's responsibilities to comply with the Department's requirements for a program review.

However, because certain laws and regulations are waived under the CBE SAP Only set of waivers, institutions should refer auditors and the Department's program review staff to this Guide in order to determine whether an institution has complied with the appropriate rules for the CBE programs it includes under the CBE SAP Only set of waivers.

### *Updating Application Information*

Volume 2, Chapter 5 of the FSA Handbook describes the regular recertification of schools, as well as changes that can affect a school's participation and how and when to report these changes to the Department on the E-App (<http://eligcert.ed.gov>). This chapter also provides information on the process for adding an educational program to the institution's Eligibility and Certification Approval Report (ECAR), and describes the cases in which the school does not have to obtain the Secretary's prior approval to treat as eligible a program that is offered using credit or clock hours.

The Department must approve all other educational programs before Title IV aid may be awarded to students in those programs. If a program is offered using direct assessment, an institution must always receive approval from the Department (after receiving approvals required from the accrediting agency) before offering Title IV aid to students in that program.

The CBE SAP Only set of waivers does not change these basic requirements, but DOES require an institution to report to the Department all programs that it wishes to include under the CBE SAP Only set of waivers, and designate those programs by adding "-CBE" to the end of the program name in the E-App. Additionally, if a program is offered using credit or clock hours, that program must be approved, recognized, or designated as a CBE program by the institution's accrediting agency before the program may be included in the CBE SAP Only set of waivers. Additional information on this process is provided in Sections 2–4 of this Guide.

### *Consumer Information and School Reports*

Volume 2, Chapter 6 of the FSA Handbook describes information that a school must disclose to the public and report to the Department. Participation in the CBE SAP Only set of waivers does not alter these requirements. Under those requirements, an institution must disclose to the public that it participates in the CBE SAP Only set of waivers experiment, which programs are included under the experiment, and how its administration of the Title IV aid programs—including satisfactory academic progress—is changed under the experiment.

All other requirements described in Volume 2 of the FSA Handbook remain in effect for institutions participating in the CBE SAP Only set of waivers.

## **CALCULATING AWARDS & PACKAGING**

Volume 3, Chapter 1 of the FSA Handbook describes requirements for academic calendars, payment periods, and disbursements. There are no waivers in the CBE SAP Only version of the experiment that alter these requirements; however, several requirements have particular application to CBE programs, and are therefore described below.

### ***Academic Year Requirements***

For FSA purposes, the academic year is defined in weeks of instructional time and, for undergraduate programs, in credit or clock-hours. A program's academic year does not have to coincide with the program's academic calendar. An institution must use the same academic year definition for all FSA awards for students enrolled in a particular program, and for all other FSA program purposes with respect to that program. However, a school may treat two versions of the same academic program (day and night, for example) as separate programs and define different academic years for each version.

#### **Weeks of instructional time in an academic year**

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time.

The number of weeks of instructional time is based on the period that begins on the first day of classes in the academic year and ends on the last day of classes or examinations. For all FSA programs, a week of instructional time is any period of 7 consecutive days in which at least 1 day of regularly scheduled instruction, examination, or (after the last day of classes) at least 1 scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination.

Institutions must ensure that the instructional materials and faculty support necessary for academic engagement are available to students every week that the institution counts toward its definition of a payment period or an academic year. Note that, to the extent that instructional services supporting educational activity are not offered at any time during a seven-day period, that week would not count toward the institution's definition of a payment period or an academic year, nor would it count toward the minimum program length requirements in [34 CFR 668.8](#).

For all CBE programs, including direct assessment programs, educational activity includes (but is not limited to):

- Participating in regularly scheduled learning sessions (where there is an opportunity for direct interaction between the student and the faculty member);
- Submitting an academic assignment;
- Taking an exam, an interactive tutorial, or computer-assisted instruction;
- Attending a study group that is assigned by the institution;



- Participating in an online discussion about academic matters;
- Consultations with a faculty mentor to discuss academic course content; and
- Participation in faculty-guided independent study (as defined in [34 CFR 668.10\(a\)\(3\)\(iii\)](#)).

For direct assessment programs only, educational activity also includes development of an academic action plan developed in consultation with a qualified faculty member that addresses competencies identified by the institution.

The requirements above relating to a program's academic year apply to all CBE programs, not just those included in an institution's participation in CBE SAP Only. CBE SAP Only does not change any of those requirements. The remaining requirements in Volume 3 do not change under CBE SAP Only.

## **PROCESSING AID AND MANAGING FSA FUNDS**

Volume 4, Chapter 1 of the FSA Handbook provides information on the rules and procedures for requesting and managing funds, including requesting funds from the Department's G5 system. Those rules and procedures are not affected by an institution's participation in the CBE SAP Only set of waivers.

## **WITHDRAWALS AND THE RETURN OF TITLE IV FUNDS**

Volume 5 of the FSA Handbook describes the steps an institution must take when a student withdraws, the requirements for calculating the amount of Title IV aid that a student earns when he/she withdraws during a payment period, and the requirements for returning unearned Title IV aid. These requirements do not change under the CBE SAP Only set of waivers.

## **THE CAMPUS-BASED PROGRAMS**

There are no changes to the rules for administration of the campus-based programs under the CBE SAP Only set of waivers. Institutions should follow the requirements as described in Volume 6 of the FSA Handbook.



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# Modified Rules and Requirements: Subscription Period Disbursement



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The Competency-Based Education—Subscription Period Disbursement (CBE Subscription Period Disbursement) set of waivers provides numerous waivers and modifications to Federal requirements for how institutions provide Federal student aid to students enrolled in self-paced CBE programs. This Section places those changes in context and provides detailed instructions for how institutions must process Title IV aid under the experiment.

## OVERVIEW OF WAIVERS AND MODIFIED REQUIREMENTS

The CBE Subscription Period Disbursement set of waivers modifies the definition of a payment period in a term-based program to permit an institution with a CBE program that charges using subscription periods to treat each subscription period as a standard or nonstandard term, and to allow the coursework undertaken in such a term to begin before the term begins.

CBE Subscription Period Disbursement modifies the requirements for evaluation of satisfactory academic progress to permit a measurement of a student's pace as an amount completed over a period of calendar time, to require an evaluation of a student's progress at the close of each subscription period, and to create two different evaluations: an evaluation that measures a student's cumulative progress in his or her program and an evaluation that measures a student's progress in the subscription period just ended.

CBE Subscription Period Disbursement also modifies the requirements for disbursement of Direct Loan funds in programs with nonstandard terms that are not substantially equal to require that an institution calculate and make Direct Loan disbursements in such programs in accordance with the provisions of Pell Grant Formula 3.

This Section of the Guide will provide detailed information on the waivers and modifications to Title IV rules and regulations included in this version of the experiment.

### *Terminology*

For purposes of CBE Subscription Period Disbursement, a “subscription period” is a period of time for which an institution charges a single fee for all of a student's competency-based instruction during that period. An institution may, but is not required to, charge different fees for different enrollment levels during subscription periods; e.g. \$2,000 for a subscription period in which the student is expected to attend full-time, but only \$1,000 for a subscription period in which the student is

expected to attend only half-time. Note that an institution is required to establish a student's enrollment status for a subscription period no later than the 14th day of the subscription period, as described below under "Enrollment Status."

Under CBE Subscription Period Disbursement, a subscription period is the same as a term or a payment period, and these terms will be used interchangeably throughout the remainder of this Section.

### *Use of Terminology in CBE Subscription Period Disbursement*

Subscription period

is the same as a

Standard or nonstandard term

is the same as a

Payment period

## APPLICATION AND VERIFICATION

There are no changes to the rules for application and verification under this version of the CBE Experiment. Institutions should follow the requirements as described in the FSA Handbook, Application and Verification Guide.

## STUDENT ELIGIBILITY

### *Satisfactory Academic Progress*

Volume 1, Chapter 1 of the FSA Handbook describes certain basic requirements for an institution's Satisfactory Academic Progress (SAP) policy. The Handbook notes that an institution's SAP policy must include both quantitative (time-based) and qualitative (grade-based) standards, and both standards must be reviewed at each evaluation point.

Regarding the qualitative component of a SAP evaluation, [Dear Colleague Letter GEN 14-23](#) clarifies the requirements for a SAP policy in a CBE program by noting that if an institution documents that the degree of mastery necessary to complete a competency in a CBE program equals or exceeds the equivalent of a "C" grade in a traditional program, then the institution may consider a student to have met the SAP qualitative measure as long as that student has an academic standing consistent with the institution's requirements for graduation from the program. The CBE Subscription Period Disbursement set of waivers does not change these basic SAP requirements as set forth in the FSA Handbook and DCL GEN 14-23.

**CBE Subscription Period Disbursement makes significant changes to the requirements for when an institution must perform an evaluation of a student's SAP, and to the quantitative (time-based) component of those evaluations. Under CBE Subscription Period Disbursement:**

- A school must evaluate a student's SAP after every payment period;
- Each evaluation must include two measures of quantitative progress: in the first, called the "Aggregate SAP Evaluation," a school must evaluate a student's progress over his/her entire program (similar to the traditional SAP calculation) and in the second, called the "Payment Period SAP Evaluation," a school must evaluate whether the student has completed the competencies that he/she was expected to complete during the payment period; and
- When performing the aggregate SAP evaluation, the school must evaluate a student's SAP pace by using credit hours or equivalents completed over calendar time, rather than by dividing a student's completed credit hours by attempted credit hours.

### Evaluation each payment period

The Handbook states that, for a program longer than an academic year, an institution "must require annual reviews" of a student's SAP. This is not the case under CBE Subscription Period Disbursement.

**Under CBE Subscription Period Disbursement, an institution must evaluate a student's SAP after every payment period. Therefore, an institution participating in this version of the experiment will always have the option of utilizing a warning period if the student fails a single evaluation.**

### Two types of quantitative evaluations performed after each payment period

**Under CBE Subscription Period Disbursement, an institution must perform two separate quantitative evaluations of a student's progress after each payment period:**

**Aggregate SAP Evaluation.** This SAP measure is calculated by dividing the aggregate number of credit hours or equivalents completed as of the end of the payment period immediately prior to the evaluation by the total number of credit hours or equivalents expected to be completed as of the end of that payment period in order for the student to complete the program within the maximum timeframe. If the student is not making adequate progress toward completing the program within the maximum timeframe, the student would have failed SAP.

**Payment Period SAP Evaluation.** This SAP measure reviews the student's progress within the payment period immediately prior to the evaluation. If the student did not complete all of the credit hours or equivalents that were included in the student's enrollment status for that payment period (see "Enrollment Status" below) the student would have failed SAP.

### Aggregate SAP Evaluation uses credits or the equivalent completed over calendar time

The Handbook states that an institution must "calculate the pace at which a student is progressing by dividing the total number of hours the student has successfully completed by the total number he has attempted." This is also not applicable under CBE Subscription Period Disbursement.

Under CBE Subscription Period Disbursement, when performing a student's Aggregate SAP Evaluation, an institution will determine whether the student has completed competencies associated with sufficient credit hours, clock hours, or the equivalent to complete the program within the maximum timeframe. For a student enrolled in an undergraduate program, the institution must ensure that the maximum timeframe is no more than 150 percent of the program's published length, as provided in the definition of "maximum timeframe" in the regulations at [34 CFR 668.34\(b\)](#).

In other words, the institution will compare the credit hours, clock hours, or equivalencies correlated with the competencies completed with the number of credit hours, clock hour, or equivalencies the institution has established to ensure, at that time, that the student is on pace to complete within the maximum timeframe.

For purposes of the Aggregate SAP Evaluation, an institution is also permitted to use a graduated completion percentage for each year of a program. For example, your policy can permit students to complete a lower percentage of coursework in the first academic year but require them to complete an increasing percentage in subsequent years so that they finish their program within 150% of normal time.

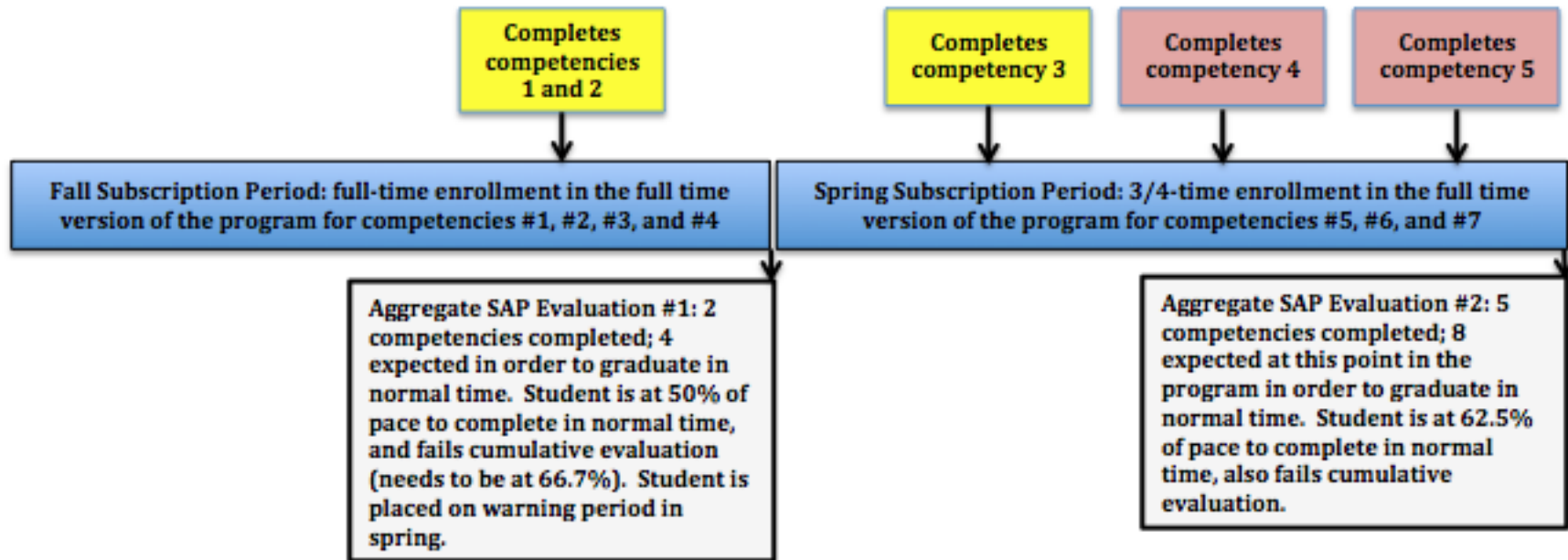
**Under CBE Subscription Period Disbursement, a program's maximum timeframe is expressed in calendar time. An institution may offer different versions of the same program (for example, a full-time version and a part-time version) with different maximum timeframes.**

### *Aggregate SAP Evaluation Example*

A CBE program uses two six-month subscription periods each year, which are treated as nonstandard terms in each academic year. Each competency is worth three credit hour equivalents.

The program includes a total of 48 competencies. There are two versions of the program: a full-time version and a half-time version. The full-time version of the program has a published length of four years, and therefore has a SAP maximum timeframe of six years (150% of the published length of the program).

In order to complete the full-time version of the program within the maximum timeframe (six years), assuming the institution does not use graduated completion percentages, a student would need to complete four competencies per subscription period.



In the example displayed above, a student in the full-time version of the program enrolls full-time (in four competencies, or the equivalent of 12 credit hours) in the Fall subscription period. However, the student completes only two competencies during that subscription period. Therefore, the student fails the Aggregate SAP Evaluation for the fall and is placed on SAP warning for the spring.

The student enrolls 3/4 time in the Spring subscription period, expecting to complete three new competencies during that period plus the two in the prior subscription period that were still incomplete. The student does complete the two competencies begun in the fall and one competency begun in the spring, but fails to complete the other two competencies begun in spring.

At the end of the Spring subscription period, the student has only completed a total five competencies, and has not completed the necessary four competencies per subscription period in order to complete the program within 150% of the published length of the program. Therefore, the student fails SAP again and must appeal in order to regain Title IV eligibility. Alternatively, the student could transfer into the part-time version of the program, which would permit the student to complete only two competencies per subscription period in order to graduate in normal time.

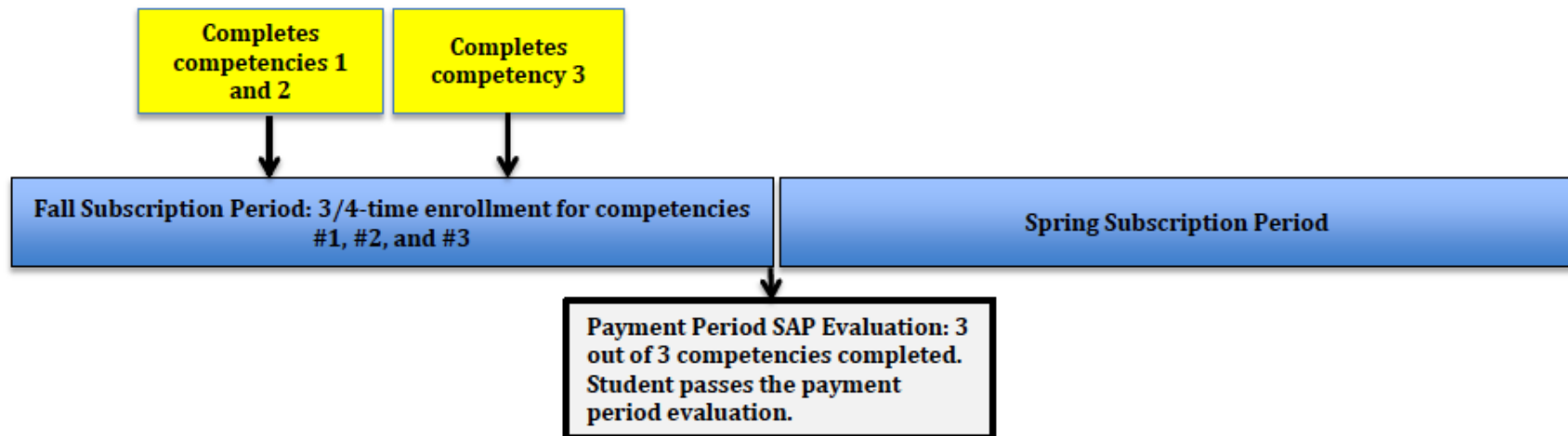
### *Payment Period SAP Evaluation Examples*

A CBE program uses two six-month subscription periods each year, which are treated as nonstandard terms in each academic year. Each competency is worth three credit hour equivalents.

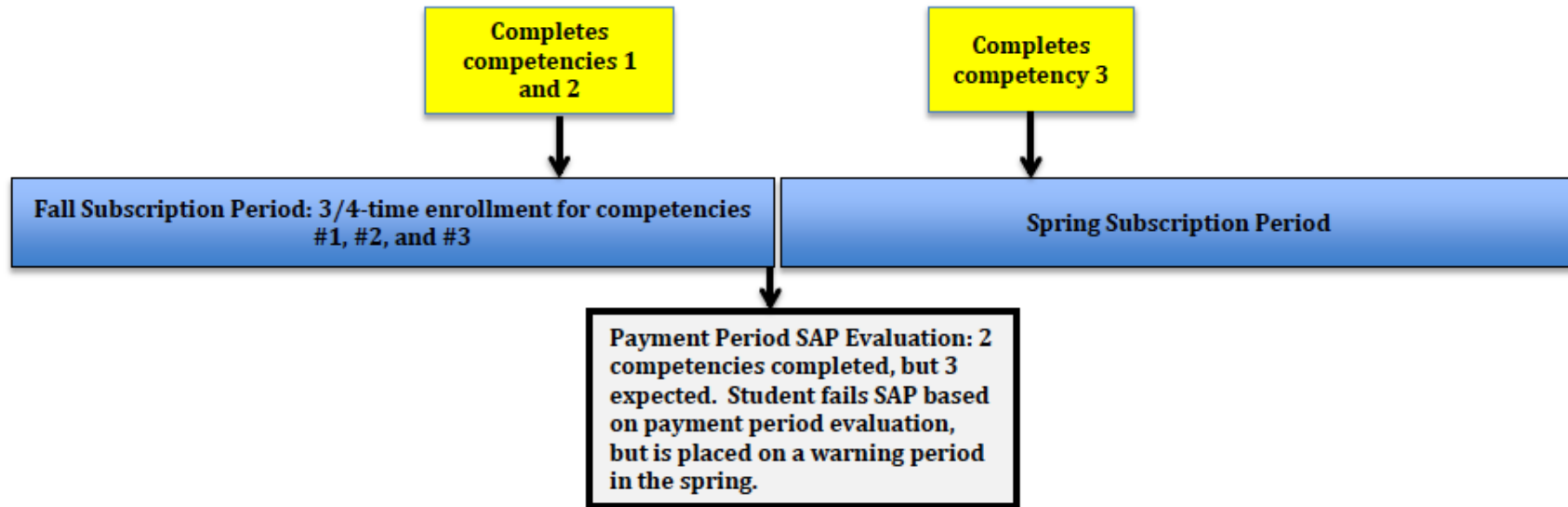
In Example 1 below, a student enrolls in three competencies in the Fall subscription period and completes all three. The student completed all the competencies that were included in the student's Title IV enrollment status for that subscription period, so the student passes the Payment Period SAP Evaluation for the Fall subscription period.

In Example 2 below, a student enrolls in three competencies in the Fall subscription period, but completes only two of the three competencies. The student failed to complete all the competencies that were included in the student's Title IV enrollment status for that subscription period, so the student fails the Payment Period SAP Evaluation for the Fall subscription period and is placed on SAP warning for the spring.

**Example 1: Student completes all expected competencies**





**Example 2: Student does not complete all expected competencies****Enrollment Status**

Volume 1, Chapter 1 of the FSA Handbook describes the requirements for determining a student's enrollment status. Programs included in an institution's participation in the CBE Subscription Period Disbursement version of the experiment must be considered either standard term or nonstandard term programs.

In CBE Subscription Period Disbursement, a subscription period is considered equivalent to a term. Therefore, an institution's determination of a student's enrollment status is based on the student's enrollment during the subscription period.

**Under CBE Subscription Period Disbursement, work on competencies does not need to begin on or after the first date of a term; enrollment in courses may begin before the term begins.**

For each payment period, students will be assigned by the institution an enrollment status (full-time, half-time, three-quarter time, less-than half-time) based on the student's expected enrollment in and expected completion of competencies for the payment period. After consulting with the student, the institution will determine the student's enrollment status based on a realistic assessment by the institution of the number of competencies that the student will complete during the payment period. However, unlike under existing regulations for standard and nonstandard term programs, under CBE Subscription Period Disbursement, an institution is not permitted to count a unique competency or course toward a student's enrollment status for more than one payment period (see discussion below under "Retaking Coursework in Term Programs"). If a student enrolls in a competency a second time after the competency was included in the student's enrollment status for a prior subscription period, the cost of that repeated competency cannot be considered for purposes of calculating the student's cost of attendance, and the credit hours or the equivalent associated with that competency cannot be included in the student's enrollment status.

In addition, under CBE Subscription Period Disbursement, a student's enrollment status may not be changed for Title IV purposes once it has been established for the payment period, **except that an institution must increase a student's enrollment status to reflect any competencies completed by the student during the payment period that were not originally assigned to that payment period or to a previous payment period.** If the additional competencies that were completed in the payment period were expected to be completed in a subsequent payment period(s), an adjustment to the student's enrollment status for that subsequent payment period(s) is required if the institution had already established an enrollment status for that subsequent payment period before the additional competencies were completed in the earlier payment period.

**Under CBE Subscription Period Disbursement you may establish a policy for recalculating a student's award after the subscription period has begun, but a school must make a final determination of the student's enrollment status no later than the 14th calendar day of the subscription period.** Additionally, for Pell Grant purposes, students will still be required to begin working on at least the number of competencies used in the determination of the student's enrollment status for each payment period (see discussion below under "Pell Recalculations"). Therefore, to use this set of waivers, an institution must have a mechanism for determining that a student has been participating in a competency during a payment period.

All other requirements described in Volume 1 of the FSA Handbook remain in effect for institutions participating in CBE Subscription Period Disbursement.

**IMPORTANT NOTE ABOUT NSLDS ENROLLMENT REPORTING:** In general, institutions should report a student's enrollment status under CBE Subscription Period Disbursement in the same way that it calculates the student's enrollment status for Title IV purposes, i.e. using the number of competencies that the institution expects the student to complete in a given subscription period.

In circumstances where a competency is included in a student's enrollment status for a subscription period, but the student fails to make substantial progress in the competency, the institution (at its discretion) may choose to enroll the student in the same competency in a subsequent subscription period. As described above, in such a case the repeated competency would not be included in an institution's determination of a student's eligibility for Title IV aid. However, for campus-level reporting to NSLDS, but not for program-level reporting, the institution must include the repeated competency in the institution's campus-level enrollment reporting.

## SCHOOL ELIGIBILITY AND OPERATIONS

Institutions participating in CBE Subscription Period Disbursement must follow a modified process for applying to the Department to include educational programs. That process is described in greater detail in Section 2 of this Guide.

### *Program Participation Agreement*

Volume 2, Chapter 1 of the FSA Handbook describes the Program Participation Agreement (PPA) and the process for executing that agreement. Section 2 of this Guide (page 1) describes the additional requirement under the experiment that the institution execute an amendment to its PPA, which must be signed by the school's president, chief executive officer, or chancellor, and an authorized representative of the Secretary of Education, before the institution may participate in the experiment.

## Direct Assessment Programs

Volume 2, Chapter 2 also provides a definition for a “direct assessment program” and describes the requirements for such programs. Participation in CBE Subscription Period Disbursement does NOT change any of the requirements for offering a direct assessment program.

An institution may participate in both the CBE Experiment (including the CBE Subscription Period Disbursement set of waivers) and also the Limited Direct Assessment (LDA) Experiment – an institution’s participation in the LDA experiment would alter the requirements for a direct assessment program. Please see the [July 31, 2014, Federal Register Notice](#) for additional information.

## Regular and Substantive Interaction

Volume 2, Chapter 2 of the FSA Handbook describes the requirements for a distance education program, including the requirement that a distance education program support regular and substantive interaction between the students and instructors. Only programs that require regular and substantive interaction may participate in the CBE Experiment. We do not consider interaction that is wholly optional or initiated primarily by the student to be regular and substantive interaction between students and instructors. Interaction that occurs only upon the request of the student (either electronically or otherwise) would not be considered regular and substantive interaction.

However, as described in [Dear Colleague Letter GEN 14-23](#), institutions have flexibility in how they define “regular and substantive interaction.” Some institutions design their CBE programs using a faculty model where no single faculty member is responsible for all aspects of a given course or competency. In these models, different instructors might perform different roles: for example, some working with students to develop and implement an academic action plan, others evaluating assessments and providing substantive feedback (merely grading a test or paper would not be substantive interaction), and still others responding to content questions.

Such a model may be used to ensure regular and substantive interaction between students and instructors. However, in applying such a model, an institution must ensure that the interaction is provided by institutional staff who meet accrediting agency standards for providing instruction in the subject matter being discussed, that the interaction is regular, and that the amount of faculty resources dedicated to the program is sufficient in the judgment of the accrediting agency. Interactions between a student and personnel who do not meet accrediting agency standards for providing instruction in the subject area would not be considered substantive interaction with an instructor.

For institutions providing CBE programs under the CBE Experiment, there are two important considerations regarding the “regular and substantive interaction” requirements: students must have access to qualified faculty, and programs must be designed to ensure regular and substantive interaction between students and those faculty members.

**Access to qualified faculty**—Qualified means that the faculty possesses the appropriate academic credentials and experience in the applicable knowledge domain, as determined by the accrediting agency. This faculty access must be available to students who are struggling to master learning materials or objectives or for any reason when the student wants to interact with a faculty member (e.g. seeking explanation of feedback on an assessment or assignment, career advice, desire for more information on a topic). Learning coaches, online tutoring, and other support can be offered and used and may even account for the majority of students’ support (and success), but programs must, as discussed above, include access to an academically qualified faculty member at least when students need or want it.

If a faculty member is not the primary monitor of student engagement with learning (as in traditional instructional models), the institution must have some combination of staffing and systems to monitor student engagement, level of performance, and to provide proactive support. It is incumbent on the institution to demonstrate that students are not left to educate themselves, a chief characteristic of correspondence programs.

**Program design**—A program must be designed with the expectation that regular and substantive interaction between students and faculty is an integral part of an educational program.

The term *regular* means periodic and while it can be broadly interpreted, it should be understood as predictable regularity and built into program design. Recognizing that most (though not all) CBE programs are self-paced at least to some extent, predicted regularity can be event driven and include, but is not limited to, completion of certain key competencies, a percentage of competencies, or the submission of assessments. While individual students may elect not to initiate contact with qualified faculty, program design must include periodic contact by qualified faculty with the students. Those contacts could be made through the use of email or other social media, but must create the opportunity for substantive interaction. Note that while an automated system for initiating contact with students could be one aspect of program design, such a system in and of itself could not meet the requirement for *regular and substantive interaction*.

The term *substantive* can also be broadly interpreted, but refers specifically to interaction, or the opportunity for interaction, with a student that is relevant to the academic subject matter in which the student is engaged. Substantive interaction could include direct instruction, substantive feedback to assessments, or, as described above, contacts with students that create the opportunity for relevant discussion of academic subject matter.

Assessment is an important part of the educational equation in all instances, but takes on particular importance in outcomes-focused programs like CBE. The statutory language pertaining to *regular and substantive interaction* does not require that faculty administer and/or grade all assignments, though faculty feedback on student assignments may be a very effective form of substantive interaction. Some assessments might be exam-based and machine graded, but those forms of assessment would not be considered substantive interaction. Traditional higher education has long used teaching assistants, such as graduate students within the discipline, to assess and grade student work, and this is acceptable in CBE programs.

There is an additional requirement under the CBE Experiment that programs **MUST** be designed to require regular and substantive interaction between students and instructors; correspondence programs may not be included in the CBE Experiment.

### Satisfactory Academic Progress

#### Exemption: Satisfactory Academic Progress

Volume 2, Chapter 3 of the FSA Handbook describes the requirements for an institution's Satisfactory Academic Progress (SAP) policy. Certain aspects of these requirements are changed under CBE Subscription Period Disbursement, as described above under Student Eligibility.

## *Audits and Program Reviews*

Volume 2, Chapter 4 of the FSA Handbook describes the audit requirements for institutions participating in the Title IV, HEA programs, and Volume 2, Chapter 8 describes program reviews that the Department conducts at schools. Participation in the CBE Subscription Period Disbursement does not change an institution's responsibility to have an independent auditor conduct an annual audit of the school's compliance with the laws and regulations that are applicable to the FSA programs, nor does it waive an institution's responsibilities to comply with the Department's requirements for a program review.

However, because certain laws and regulations are waived under CBE Subscription Period Disbursement, institutions should refer auditors and the Department's program review staff to this Guide in order to determine whether an institution has complied with the appropriate rules for the CBE programs it includes under the experiment.

## *Updating Application Information*

Volume 2, Chapter 5 of the FSA Handbook describes the regular recertification of schools, as well as changes that can affect a school's participation and how and when to report these changes to the Department on the E-App (<https://eligcert.ed.gov>). This chapter also provides information on the process for adding an educational program to the institution's Eligibility and Certification Approval Report (ECAR), and describes the cases in which the school does not have to obtain the Secretary's prior approval to treat as eligible a program that is offered using credit or clock hours.

The Department must approve all other educational programs before Title IV aid may be awarded to students in those programs. If a program is offered using direct assessment, an institution must always receive approval from the Department (after receiving approvals required from the accrediting agency) before offering Title IV aid to students in that program.

CBE Subscription Period Disbursement does not change these basic requirements, but DOES require an institution to report to the Department all programs that it wishes to include under this version of the experiment, and designate those programs by adding "- CBE" to the end of the program name in the E-App. Additionally, if a program is offered using credit or clock hours, that program must be approved, recognized, or designated as a CBE program by the institution's accrediting agency before the program may be included under CBE Subscription Period Disbursement. Additional information on this process is provided in Sections 2-4 of this Guide.

## *Consumer Information and School Reports*

**Volume 2, Chapter 6 of the FSA Handbook describes information that a school must disclose to the public and report to the Department. Participation in CBE Subscription Period Disbursement does not alter these requirements. Under those requirements, an institution must disclose to the public that it participates in the experiment, which programs are included under the experiment, and how its administration of the Title IV aid programs – including disbursement and satisfactory academic progress – are changed under the experiment.**

All other requirements described in Volume 2 of the FSA Handbook remain in effect for institutions participating in CBE Subscription Period Disbursement.

## CALCULATING AWARDS & PACKAGING

Volume 3, Chapter 1 of the FSA Handbook describes requirements for academic calendars, payment periods, and disbursements.

### *Academic Year Requirements*

For FSA purposes, the academic year is defined in weeks of instructional time and, for undergraduate programs, in credit or clock-hours. A program's academic year does not have to coincide with the program's academic calendar. An institution must use the same academic year definition for all FSA awards for students enrolled in a particular program, and for all other FSA program purposes with respect to that program. However, a school may treat two versions of the same academic program (day and night, for example) as separate programs and define different academic years for each version.

### **Weeks of instructional time in an academic year**

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time.

The number of weeks of instructional time is based on the period that begins on the first day of classes in the academic year and ends on the last day of classes or examinations. For all FSA programs, a week of instructional time is any period of 7 consecutive days in which at least 1 day of regularly scheduled instruction, examination, or (after the last day of classes) at least 1 scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination.

Institutions must ensure that the instructional materials and faculty support necessary for academic engagement are available to students every week that the institution counts toward its definition of a payment period or an academic year. Note that, to the extent that instructional services supporting educational activity are not offered at any time during a seven-day period, that week would not count toward the institution's definition of a payment period or an academic year, nor would it count toward the minimum program length requirements in [34 CFR 668.8](#).

For all CBE programs, including direct assessment programs, educational activity includes (but is not limited to):

- Participating in regularly scheduled learning sessions (where there is an opportunity for direct interaction between the student and the faculty member);
- Submitting an academic assignment;
- Taking an exam, an interactive tutorial, or computer-assisted instruction;
- Attending a study group that is assigned by the institution;
- Participating in an online discussion about academic matters;
- Consultations with a faculty mentor to discuss academic course content; and

- Participation in faculty-guided independent study (as defined in 34 CFR 668.10(a)(3)(iii)).

For direct assessment programs only, educational activity also includes development of an academic action plan developed in consultation with a qualified faculty member that addresses competencies identified by the institution.

### Credit hours in an academic year

The law and regulations set the following minimum standards for coursework earned by a full-time student in an academic year in an undergraduate educational program (including direct assessment programs). The minimum academic year requirements for a program measured in credit-hours is 24 semester or trimester credit-hours or 36 quarter credit-hours, or an equivalent measure in a direct assessment program

There is no minimum hours component to the definition of an academic year for graduate and professional programs. For purposes of Direct Loans, a loan period certified for an academic year in a graduate or professional program would include the weeks of instructional time in the academic year and the hours (or an equivalent measure for a direct assessment program) a full-time student is expected to complete in those weeks.

The requirements above relating to a program's academic year apply to all CBE programs, not just those included in an institution's participation in CBE Subscription Period Disbursement. This set of waivers does not change any of those requirements.

### Academic Calendars and Terms

Volume 3, Chapter 1 of the FSA Handbook describes the three different types of academic calendars: standard term, nonstandard term, and non-term. CBE Subscription Period Disbursement does not change these definitions. **However, all programs included in an institution's participation in CBE Subscription Period Disbursement MUST be treated as standard or nonstandard term for Title IV aid purposes.**

Semesters and trimesters are terms that are generally 15 to 17 weeks long. An academic calendar that uses semesters traditionally has two terms, in the fall and spring, and a trimester academic calendar traditionally has three terms, in the fall, spring, and summer. Academic progress is measured in semester credit-hours, and full-time is at least 12 semester credits (or the equivalent in a direct assessment program).

Similarly, quarter terms are approximately 10 to 12 weeks in length and the academic calendar includes three quarters in the fall, winter, spring, and often a summer term. Academic progress is measured in quarter credit hours, and full-time is at least 12 quarter credits (or the equivalent in a direct assessment program).

The Handbook also notes that a term is a period in which all classes are scheduled to begin and end within a set time frame, and academic progress is measured in credit-hours. **This is NOT the case under CBE Subscription Period Disbursement. CBE Subscription Period Disbursement waives this requirement, and permits work on competencies to begin before the term in which the competencies are included in a student's enrollment status. A competency only counts towards eligibility in one payment period, however, even if the student does not complete it in that term.**

**Remember, under CBE Subscription Period Disbursement, all subscription periods are treated as terms, and all terms are treated as payment periods. These terms are used interchangeably throughout this Section of the Guide.**



## Payment Periods

### Exemption: Payment Periods

Volume 3, Chapter 1 of the FSA Handbook provides a definition of a payment period applicable to all the Title IV programs except for Federal Work Study. **Under CBE Subscription Period Disbursement, Title IV aid must be disbursed on a payment period basis, and a SAP evaluation must be completed at the end of each payment period.**

Under [34 CFR 668.4\(a\)](#), for an academic program that uses standard terms or substantially equal nonstandard terms, the payment period is the term itself. The same thing is true under CBE Subscription Period Disbursement.

Under [34 CFR 668.4\(b\)](#), for an academic program that measures academic progress in credit hours and uses nonstandard terms that are not substantially equal, there are normally two different types of payment periods: For purposes of Pell Grants, TEACH, FSEOGs, and Perkins Loans, the payment period is the term; for Direct Loans, the payment periods are the same as for a non-term credit hour program. **However, the definition of a payment period under 34 CFR 668.4(b) is modified under CBE Subscription Period Disbursement, and does not include two separate payment periods. Under CBE Subscription Period Disbursement, for academic programs that use nonstandard terms that are not substantially equal, the payment period for all of the Title IV programs, including the Direct Loan Program, is always the term.**

Additional information is provided about Direct Loan disbursement in programs with nonstandard terms that are not substantially equal is provided under “Direct Loan Disbursement and Annual Loan Limit Progression.”

**In general, under Subscription Period Disbursement, an institution is required to use subscription periods to charge students in its CBE programs. And, under this version of the experiment, subscription periods are treated as terms (and therefore payment periods) under 34 CFR 668.4(a) and (b).**

However, as noted above under “Enrollment Status” and “Academic Calendars and Terms,” under CBE Subscription Period Disbursement, coursework is not required to begin after the term begins. Instead, a student may begin working on a competency at any time, and the institution includes in a student’s enrollment status for a term only those competencies that a student is expected to complete during that term.

## Disbursement Timing

Volume 3, Chapter 1 of the FSA Handbook also describes the requirements for the timing of Title IV disbursements, and notes that the timing of disbursements is especially important for Pell Grants, TEACH Grants, and Direct Loan funds, because you must report disbursement dates to the Department through the Common Origination and Disbursement (COD) System. Prompt and accurate reporting of Title IV disbursement dates is still required under CBE Subscription Period Disbursement.



### Basic rules for early and delayed disbursements

The earliest a school may disburse FSA funds (other than FWS wages) is the later of:

- 10 days before the first day of classes for that payment period (i.e., the subscription period); or
- The date the student completed the previous payment period for which he or she received FSA funds.

These general restrictions also apply to programs included in CBE Experiment, except that under CBE Subscription Period Disbursement, the earliest time a disbursement can be made is 10 days before the start of the subscription period, not “the first day of classes.”

CBE Subscription Period Disbursement does not change any of the requirements for delayed disbursements for first-time borrowers.

### Retroactive disbursements for completed periods

Under CBE Subscription Period Disbursement, when an enrolled student becomes eligible for Title IV aid, your institution must pay the student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if you don’t receive a valid SAR/ ISIR for a student until the student has completed several direct cost payment and indirect cost payment periods, but the student was also enrolled and eligible for a disbursement in those earlier payment periods, that student must be paid retroactively for those payment periods. To determine the amount to pay a student for completed periods, the institution must determine the appropriate enrollment status based on how many competencies the student completed during each prior subscription period.

### Interim disbursements

Under certain limited circumstances, you may make interim disbursements to students prior to verification. This flexibility is still available when an institution is participating in CBE Subscription Period Disbursement.

### Multiple disbursements within a payment period

Title IV regulations generally permit schools to pay Title IV funds at such times and in such installments within each payment period as will best meet students’ needs. This flexibility is preserved under CBE Subscription Period Disbursement. However, as always, FSA funds must be provided to students in a timely manner to best assist them in paying their educational expenses. Credit balances must be paid to the student or parent no later than 14 days after the balance occurred if the credit balance occurred after the first day of the payment period, and no later than 14 days after the first day of the payment period if the credit balance occurred on or before the first day of the payment period.

### Retaking coursework in a term-based program

The Handbook states that, under normal rules, you may count towards enrollment status and award Title IV funds to a student who is repeating, for the first time only (i.e., one repetition per class), a previously passed course in a term-based program. **This is NOT the case under CBE Subscription Period Disbursement. Under this set of waivers, an institution may only include a unique competency or course in a student’s enrollment status for a payment period only once during the**

**student's enrollment at the Institution.** Because students in competency-based programs are generally permitted to continue working on competencies until they have mastered them, there is no provision for a student to receive Title IV aid for retaking coursework under the CBE Subscription Period Disbursement set of waivers.

### Other requirements

All other requirements for disbursing funds described in Volume 3, Chapter 1 of the FSA Handbook do not change under CBE Subscription Period Disbursement.

### *Cost of Attendance—Direct and Indirect Costs*

Volume 3, Chapter 2 of the FSA Handbook describes the components of a student's cost of attendance. CBE Subscription Period Disbursement does not change these requirements.

### *Calculating Pell Grant Awards*

Volume 3, Chapter 3 of the FSA Handbook describes the requirements for calculating Pell Grant and Iraq & Afghanistan Service Grant (IASG) payments.

### *Scheduled award, award year, and annual award*

The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends full-time for a full academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. A student's Scheduled Award is established by the Pell Grant payment schedule that the Department issues prior to the start of each award year. The annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. CBE Subscription Period Disbursement does not change these provisions, nor does it change the rules for calculating IASG awards.

### *Formulas 1 and 2*

To use Formula 1 (34 CFR § 690.63(a)(1)), the program must meet one of two sets of requirements. For a program with a traditional academic calendar, the program:

- must have an academic calendar that consists, in the fall through spring, of two semesters or trimesters, or three quarters (note that summer may not be a standard term);
- must have at least 30 weeks of instructional time in fall through spring terms;
- must not have overlapping terms; and
- must define full-time enrollment for each term in the award year as at least 12 credit hours (or the equivalent in a direct assessment program).

Other programs offered in standard terms may use Formula 1 if they start the terms for different cohorts of students on a periodic basis (for example, monthly). These programs:

- must have an academic calendar that consists exclusively of semesters, trimesters, or quarters;
- must have at least 30 weeks of instructional time in any two semesters or trimesters or any three quarters;
- must start the terms for different cohorts of students on a periodic basis (for example, monthly);
- must not allow students to be enrolled in overlapping terms and must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term.
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours (or the equivalent in a direct assessment program).

For Formula 1, the term is the payment period, and you divide the student's annual award by the number of terms in the program's FSA academic year.

Formula 2 (34 CFR § 690.63(a)(2)) may be used for programs that would qualify for Formula 1 except that the program's academic calendar provides less than 30 weeks of instructional time in the fall through spring terms. See Appendix A of Volume 3, Chapter 3 of the FSA Handbook for more information about Formula 2.

CBE Subscription Period Disbursement does not change any of the requirements above for Formulas 1 and 2. Remember: Under Subscription Period Disbursement, all subscription periods are treated as terms, and are therefore subject to all the requirements above relating to the requirements for terms and the use of Pell Formulas 1 and 2.

### Formula 3

Any term-based program may use Formula 3 (34 CFR § 690.63(a)(3)) for Pell calculations, but you must use this formula for a term-based program that does not qualify for Formulas 1 or 2 (for instance, a program that uses only nonstandard terms).

Under Formula 3, to calculate the payment for the term, you must multiply the annual award by a fraction that represents the weeks of instructional time in the term divided by the weeks of instructional time in the program's academic year. If the resulting amount is more than 50 percent of the annual award, your institution generally must make the payment in at least two disbursements in that payment period regardless of whether the term is a standard term or a nonstandard term.

If you are using Formula 3 for a program that uses standard terms, the minimum enrollment standards discussed under Formulas 1 or 2 would still apply for the standard terms. However, if a program uses nonstandard terms, the enrollment standard must be calculated differently for the nonstandard terms. The full-time enrollment status is determined for a nonstandard term based on the length of the term in relation to the academic year, and is calculated by taking the weeks in the nonstandard term, dividing by the weeks in the institution's definition of an academic year, and multiplying the result by the number of credit hours in the institution's definition of an academic year. The result is the minimum requirement for full-time enrollment in the nonstandard term.

After you determine the number of credit-hours required for full-time enrollment, you can then determine the less-than-full-time status for the nonstandard term by dividing the credit hours the student takes in the nonstandard term by the result of your first calculation, which are the credit hours (or the equivalent in a direct assessment program) required for full-time enrollment in the nonstandard term.

CBE Subscription Period Disbursement does not change any of the requirements above for Formula 3.

### Formulas 4 and 5

Because CBE Subscription Period Disbursement relates only to term-based programs and excludes correspondence programs, Pell Formulas 4 and 5 do not apply.

### Crossover payment periods

When a payment period falls into two award years – that is, it begins before July 1 and ends on July 1 or later – it is called a “crossover payment period.” The formula for calculating the payment for a crossover payment period is the same as that for any other payment period in the award year.

For Pell purposes, you must consider a crossover payment period to occur entirely within one award year and calculate the student’s Pell award and disburse Pell funds from the award year selected (if you only have a valid SAR/ISIR from one award year, you must rely on that record and the award year to which the valid SAR/ISIR pertains). CBE Subscription Period Disbursement does not change these requirements.

### Awarding remaining Pell Grant eligibility

A student who receives Pell Grant funds at one institution and subsequently transfers to another institution in the same award year can only receive the remaining percentage of his/her Scheduled award for the award year at the new institution. CBE Subscription Period Disbursement does not change these provisions.

### Pell Grant and Lifetime Eligibility Used

A student’s maximum duration of Pell eligibility is 6 Scheduled Awards, as measured by the percentage of LEU field in the COD System and described in Volume 3, Chapter 3 of the FSA Handbook. CBE Subscription Period Disbursement does not change these provisions.

### Pell recalculations

In certain cases, you may have to recalculate the student’s Pell Grant after the initial calculation or disbursement, to account for changes to the student’s costs or EFC.

If the student’s EFC changes due to corrections, updating, or an adjustment, and the EFC change would change the amount of the Pell award, you must recalculate the Pell award for the entire award year and change the student’s actual and/or anticipated disbursement amounts per payment period accordingly.

If the student’s COA changes during the year, the institution has the option of recalculating Pell awards for those cost changes.

If the student doesn’t begin attendance in all of his or her classes, resulting in a change in the student’s enrollment status, you must recalculate the student’s award based on the lower enrollment status. **Under CBE Subscription Period Disbursement, students will still be required to begin working on at least the number of competencies used in the determination of the student’s Pell Grant enrollment status for each payment period. The institution must have a mechanism for determining that a student has been participating in a competency during a payment period. If the student does not begin working on all of the competencies that comprised the student’s Pell Grant enrollment status, the institution must reduce the student’s Pell award to correspond with the reduced enrollment status.**

The regulations don't require any recalculation for changes in enrollment status after the student has begun attendance in all of his or her classes. **However, under CBE Subscription Period Disbursement you may establish a policy for recalculating a student's award, but must make a final determination of the student's enrollment status no later than the 14th day of the payment period.**

### Other requirements

All other requirements for awarding and disbursing Pell Grant funds described in Volume 3, Chapter 3 of the FSA Handbook do not change under CBE Subscription Period Disbursement.

### Calculating TEACH Grants

Volume 3, Chapter 4 of the FSA Handbook describes the process for calculating TEACH Grants. The formula for calculating a TEACH Grant is described in this chapter.

CBE Subscription Period Disbursement does not change the requirements for calculating TEACH Grants.

### Direct Loan Periods and Amounts

Volume 3, Chapter 5 of the FSA Handbook describes the rules for awarding and disbursing Direct Loan funds. That chapter reminds institutions that in order to request Direct Loan funds for a student or parent borrower, a school must certify that the borrower is eligible for the loan award, and must provide specific amounts and dates for each disbursement of the loan award.

A borrower's eligibility for a Direct Subsidized Loan or Direct Unsubsidized Loan is limited by annual and aggregate limits that are the same for all students at a given grade level and dependency status. For a Direct PLUS Loan, the maximum loan amount for an academic year may not exceed the cost of attendance minus other estimated financial assistance for the student. In general, an institution may not originate a loan for more than the:

- amount the borrower requests;
- borrower's cost of attendance;
- borrower's annual or aggregate loan limits (as described in Volume 3, Chapter 5); and
- borrower's unmet financial need.

In Direct Loans, the loan certification is part of the loan origination record sent electronically to the COD System. An institution must provide this certification each time it makes a loan under a Master Promissory Note (MPN).

The school's origination includes the borrower's grade level, loan period, anticipated disbursement dates, and the amounts of the disbursements (using the rules described in this Section below).

None of the requirements above are affected by an institution's participation in CBE Subscription Period Disbursement.

### Loan periods and program length

An institution must define the loan period (also called the “period of enrollment”) at the beginning of the loan awarding process.

If a credit-hour program uses standard terms (semesters, trimesters, or quarters), or has nonstandard terms that are substantially equal in length, with each term at least 9 weeks in length (SE9W terms), the minimum loan period is a single academic term (e.g., a semester).

For all other programs, including programs with either terms that are not substantially equal in length or with one or more terms less than nine weeks in length (non-SE9W terms), the minimum loan period is generally the lesser of:

- the academic year as defined by the school;
- the length of the student's program (if the program is shorter than an academic year); or
- the remaining portion of the program (if the remaining portion of the student's program is less than an academic year).

CBE Subscription Period Disbursement does not change the requirements above.

Under normal rules, the regulations provide limited exceptions to the minimum loan period for certain students beginning non-SE9W term programs. Specifically, if a student transfers from another school into a program with non-SE9W terms, and the prior school originated a loan for an academic year period that overlaps the period of enrollment at the new school, the new school may originate an initial loan with a loan period corresponding to the remaining portion of the academic year that began at the prior school. Similarly, if a student completes a program at a school, where the student's last loan to complete that program had been for less than an academic year, and the student then begins a new program with non-SE9W terms at the same school, the school may originate an initial loan for a loan period corresponding to the remaining portion of the academic year associated with the prior program. In such cases, the loan period for the initial loan is often called an “abbreviated” loan period, because it is shorter than the minimum loan period that would otherwise be allowed under the regulations. An abbreviated loan period does not meet the definition of a payment period.

**However, under CBE Subscription Period Disbursement, because you are required to disburse Direct Loans on a payment period basis, a school is not permitted to originate a loan for an abbreviated loan period in the situations described above. As a result, schools offering programs under CBE Subscription Period Disbursement with non-SE9W terms must ensure that any loans originated for students beginning the program under circumstances that are ordinarily suitable for an abbreviated loan period are instead certified for a loan period of no less than a full academic year. This requirement may result in reducing the ability of some students transferring into a program with non-SE9W terms to borrow.**

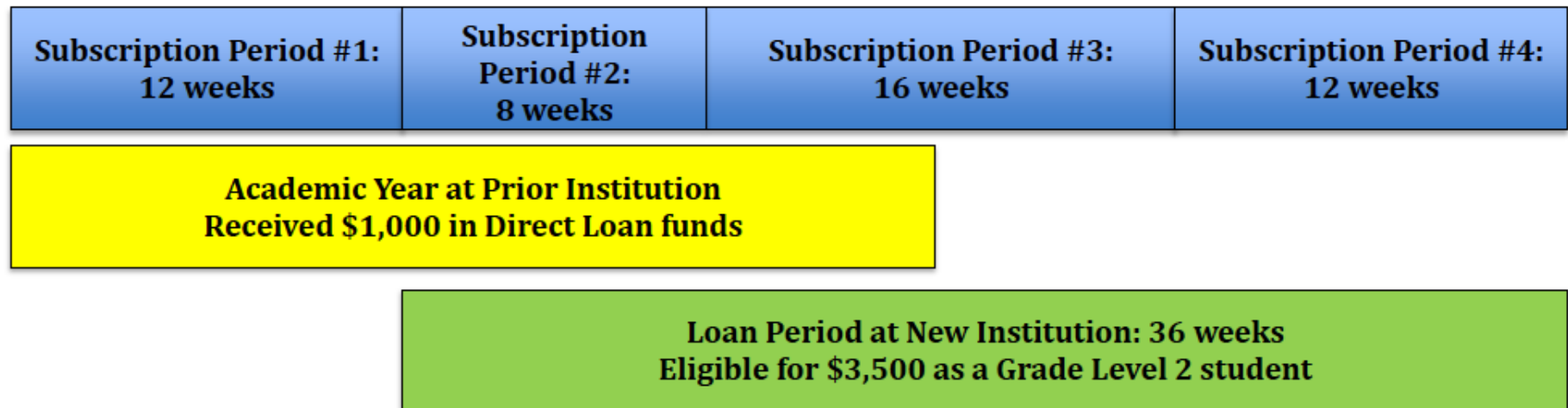
### *Minimum Loan Period Example*

Consider a CBE program that uses nonstandard terms that are not substantially equal, and permits transfer students to begin enrollment at the start of any of its terms. The institution's CBE program uses subscription periods that are of various lengths, as shown below:

|   |  |   |   |
|---|--|---|---|
| <b>Subscription Period #1:<br/>12 weeks</b> | <b>Subscription<br/>Period #2:<br/>8 weeks</b> | <b>Subscription Period #3:<br/>16 weeks</b> | <b>Subscription Period #4:<br/>12 weeks</b> |
|---|--|---|---|

A student transfers into the institution's CBE program after withdrawing from a program at another institution. The student had received \$1,000 in Subsidized Direct Loan funds at the prior institution at the time of her withdrawal. The student receives sufficient transfer credit at the new institution to be considered in her second grade level.

The student decides to enroll during Subscription Period #2. However, at the time that the student decides to enroll, the academic year at her prior institution still overlaps, as it extends through the middle of Subscription Period #3 at the new institution.



Because the program uses nonstandard terms that are not substantially equal, the institution must originate a loan that is no less than the length of the defined academic year, which is 30 weeks of instructional time. The institution is also required to begin and end the loan period at dates that coincide with the beginning and ending of payment periods, respectively. Therefore, the institution originates a loan that extends from the beginning of Subscription Period #2 through Subscription Period #3 and Subscription Period #4, a total of 36 weeks.



During that 36 week loan period, the student may only receive \$3,500 in Subsidized Direct Loan funds, which is the difference between the amount that the student received at her prior institution (\$1,000) and the total amount that the student is eligible for at her current institution as a sophomore (\$4,500).

### Direct Loan disbursement and annual loan limit progression

Under CBE Subscription Period Disbursement, disbursements of Direct Loan funds must be made on a payment period basis.

As mentioned above, Direct Subsidized and Unsubsidized Loans have annual loan limits, based on the student's dependency status and grade level. These annual limits do not change under CBE Subscription Period Disbursement.

There are two types of academic years that may be used to monitor annual loan limits for Direct Subsidized/Unsubsidized Loans: a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY). (Note that although there is no annual loan limit for Direct PLUS Loans, Direct PLUS Loans are awarded for the same SAY or BBAY period that is used for Direct Subsidized/Unsubsidized Loans.)

An SAY corresponds to a traditional academic year calendar that is published in a school's catalogue or other materials (for example, fall and spring semesters, or fall, winter, and spring quarters, or, for a nonstandard SE9W term program, an academic calendar comparable to a traditional academic calendar). An SAY is a fixed period of time that begins and ends at the same time each year. Under CBE Subscription Period Disbursement, an institution may use an SAY if its CBE program has subscription periods that are scheduled at fixed periods of time throughout the academic year.

A BBAY does not have fixed beginning and ending dates. Instead, it "floats" with a student's (or group of students') attendance and progression in a program of study. Under CBE Subscription Disbursement, there are 2 types of BBAY:

- BBAY 1, which may be used as an alternative to an SAY for credit-hour programs (or direct assessment programs with credit hour equivalencies) offered in an SAY that have standard terms or nonstandard SE9W terms.
- BBAY 2, which must be used for credit-hour programs (or direct assessment programs with credit hour equivalencies) not offered in an SAY that have standard terms or nonstandard terms, **including both SE9W terms and non-SE9W terms. Note that this differs from the normal rules, which only permit programs with nonstandard SE9W terms to use BBAY2.**

BBAY 3, which, under normal rules, applies to nonstandard non-SE9W term programs, clock-hour programs, and credit hour non-term programs, does not apply under CBE Subscription Period Disbursement.

For programs using an SAY or BBAY 1, the normal rules for Direct Loan annual loan limit progression described in Volume 3, Chapter 5 apply under CBE Subscription Period Disbursement. Similarly, the normal rules for BBAY 2 also apply under CBE Subscription Period Disbursement for programs that use standard terms or nonstandard SE9W terms. **Additionally, under CBE Subscription Period Disbursement, programs that use nonstandard, non-SE9W terms will also use the rules for BBAY2.** Please see the FSA Handbook for additional information about Direct Loan annual loan limit progression for those types of programs.



## *Monitoring Annual Loan Limits Using SAY or BBAY under CBE Subscription Period Disbursement*

| <b>Credit-hour programs offered in a Scheduled Academic Year (SAY)</b><br>An SAY uses 1) a traditional academic calendar with at least two semesters or trimesters or three quarters in the fall through spring, or 2) a comparable academic calendar with nonstandard SE9W terms.   |   | <b>Credit-hour programs not offered in a Scheduled Academic Year</b>  |
|--|---|---|
| May use SAY  | May use BBAY 1  | Must use BBAY 2   |
| 1) An SAY generally begins/ends at same time each year.<br>2) The student does not have to be enrolled in the first term of the SAY.<br>3) An SAY for a program must at least meet the program's Title IV academic year in weeks/hours.<br>4) Total of all loans received within SAY (including summer trailer/header) may not exceed annual loan limit<br>5) Student becomes eligible for new annual loan limit after SAY calendar period has elapsed.<br>6) After original loan, student may receive additional loans during same SAY if: <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul> 7) Summer term may be "trailer" or "header" per: <ul style="list-style-type: none"> <li>• Strict policy;</li> <li>• By program; or</li> <li>• Case by case, by student</li> </ul> | <i>May use BBAY 1 for all students; certain students; or certain programs</i><br><i>May alternate SAY and BBAY1 for a student provided academic years do not overlap</i><br>1) BBAY1 "floats" with the student's enrollment.<br>2) Student must be enrolled in first term of the BBAY1 (less-than-½-time enrollment is acceptable).<br>3) Length of BBAY1 must equal the number of terms in the program's SAY, excluding the summer trailer/header. <ul style="list-style-type: none"> <li>• Number of hours/weeks in BBAY1 need not meet the regulatory requirements for an academic year if the BBAY1 includes summer term.</li> <li>• May include terms student does not attend if student could have enrolled at least ½--time.</li> </ul> 4) Total of all loans received within BBAY1 may not exceed annual loan limit.<br>5) Student becomes eligible for new annual loan limit after BBAY1 calendar period has elapsed.<br>6) After original loan, student may receive additional loans during same BBAY1 if: <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul> 7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard or nonstandard term (affects all FSA programs) <ul style="list-style-type: none"> <li>• Student need not enroll in each minisession, but must have been able to enroll at least ½-time in the combined term.</li> </ul> | 1) BBAY2 floats with student's enrollment.<br>2) Student must be enrolled in first term of the BBAY2 (less-than-half-time enrollment is acceptable). The BBAY2 may include terms student does not attend if student could have enrolled at least half-time<br>3) The BBAY2 must meet at least the minimum requirements for hours/weeks of the program's Title IV academic year, and it must consist of: <ul style="list-style-type: none"> <li>• at least 2 consecutive semesters or trimesters;</li> <li>• at least 3 consecutive quarters; or</li> <li>• at least the number of consecutive SE9W terms covered by the program's Title IV academic year.</li> </ul> 4) Total of all loans received within a BBAY2 may not exceed annual loan limit.<br>5) Student becomes eligible for new annual loan limit after BBAY2 calendar period has elapsed<br>6) After original loan, student may receive additional loans during same BBAY2 if: <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul> 7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard term (affects all FSA programs) <ul style="list-style-type: none"> <li>• Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term.</li> </ul> |

**Under CBE Subscription Period Disbursement, there are significant changes to how an institution calculates and disburses Direct Loan funds in programs using nonstandard non-SE9W terms, which, under CBE Subscription Period Disbursement, use a BBAY 2.**

For those programs, an institution will determine the disbursement amount of a Direct Loan for each payment period using the same rules used for the calculation of disbursement amounts in the Pell Grant Formula 3, as described below, using the student's actual loan amount as determined under 34 CFR Part 685 instead of the Pell Grant annual award amount.

This means that, in order to determine the maximum amount of a student's Direct Loan disbursement in each payment period in a program using nonstandard non-SE9W terms, the institution must multiply the student's loan amount (not necessarily the annual loan limit) by the following fraction:

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

Additionally, to determine if a student is enrolled on an at least a half-time basis and therefore is eligible to receive a Direct Loan disbursement for a nonstandard non-SE9W term, the institution must:

1. Divide the number of weeks of instructional time in the payment period by the number of weeks of instructional time in the program's academic year and multiply that fraction by the number of credit hours or equivalents in the program's academic year to determine the number of hours required to be considered full-time; and
2. Compare the number of credit hours or equivalents in which the student enrolls during that term to the number of hours required to be considered full-time, as calculated above.

### *Example of Direct Loan Disbursement in a Program with Nonstandard, Non-SE9W Terms*

An institution offers a nonstandard term CBE program with a 30-week academic year. The program is not offered in an SAY. The institution has the following three subscription periods:

|   |  |   |
|---|--|---|
| <b>Fall Subscription Period: 12 weeks</b> | <b>Winter Subscription Period: 6 weeks</b> | <b>Spring Subscription Period: 12 weeks</b> |
|---|--|---|

The winter subscription period (term) in this program is only 6 weeks long, which differs from the fall and spring subscription period lengths by more than 2 weeks. This means that the terms are not considered to be substantially equal in length. This program must use a BBAY 2 because it is not offered in an SAY. In addition, because this program uses nonstandard non-SE9W terms, disbursements for each payment period must be calculated in a manner similar to Pell Formula 3, as described above.

A first-year dependent student who enrolls in all three subscription periods and borrows the maximum loan amounts for which the student is eligible would receive the following Direct Loan disbursements:

**Subsidized Direct Loans for a first-year student in this program would be calculated as follows:**

**Fall Subscription Period:**

$$\$3,500 \times \frac{\text{weeks of instruction in term (12)}}{\text{weeks of instruction in academic year (30)}} = \$1,400$$

**Winter Subscription Period:**

$$\$3,500 \times \frac{\text{weeks of instruction in term (6)}}{\text{weeks of instruction in academic year (30)}} = \$700$$

**Spring Subscription Period**

$$\$3,500 \times \frac{\text{weeks of instruction in term (12)}}{\text{weeks of instruction in academic year (30)}} = \$1,400$$

**Unsubsidized Direct Loans for the same first-year student in this program would be calculated as follows:**

**Fall Subscription Period:**

$$\$2,000 \times \frac{\text{weeks of instruction in term (12)}}{\text{weeks of instruction in academic year (30)}} = \$800$$

**Winter Subscription Period:**

$$\$2,000 \times \frac{\text{weeks of instruction in term (6)}}{\text{weeks of instruction in academic year (30)}} = \$400$$

**Spring Subscription Period**

$$\$2,000 \times \frac{\text{weeks of instruction in term (12)}}{\text{weeks of instruction in academic year (30)}} = \$800$$

### Grade level progression

The annual loan limit for Direct Subsidized and Unsubsidized Loans increases as a student progresses in his/her studies. CBE Subscription Period Disbursement does not change the normal requirements for grade level progression.

### Prorating annual loan limits for Direct Loans

An institution must prorate loan limits for a student who is enrolled in a program shorter than a full academic year in length, and for a student who is enrolled in a remaining period of study shorter than an academic year. CBE Subscription Period Disbursement does not change the requirements for prorating annual loan limits for Direct Loans.

### Remaining loan eligibility for students who transfer or change programs

If a student enrolls in a program at a new institution after already having taken out a loan at another school with an overlapping academic year, the student initially may not receive more than the annual loan limit minus the amount received at the prior school. This principle applies under CBE Subscription Period Disbursement.

However, in this situation, the student could choose to wait until a subsequent term that does not overlap with the academic year at the prior school to borrow a Direct Loan. Doing so would permit the student to borrow a new loan and receive up to his or her full annual loan limit. However, if the student chose to do this, when calculating the student's award amounts, the institution could only include costs for the terms that were included in the loan period (not the initial term that overlapped with the prior school's academic year).

### Aggregate loan limits

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional loans. CBE Subscription Period Disbursement does not change the aggregate limits for Direct Loans, which may be found in Volume 3, Chapter 5 of the FSA Handbook.

### Direct Subsidized Loan eligibility time limitation (150% rule)

First-time borrowers (those who have no principal or interest balance on any Direct or FFEL Loan on the date they receive a Direct Loan on or after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are currently enrolled. CBE Subscription Period Disbursement does not change this restriction, and all rules and requirements for calculating the subsidized usage periods for students enrolled under the experiment will remain the same.

### Other requirements

All other requirements for awarding and disbursing Direct Loan funds described in Volume 3, Chapter 5 of the FSA Handbook do not change under CBE Subscription Period Disbursement.

## Awarding Campus-Based Aid

### Awarding Federal Supplemental Opportunity Grants (FSEOG) and Perkins Loans

CBE Subscription Period Disbursement makes no changes to the awarding or disbursement requirements for FSEOG, Perkins Loans, or the Federal Work Study program under Volume 3, Chapter 6 of the FSA Handbook.

### Packaging Aid

Volume 3, Chapter 7 of the FSA Handbook describes the requirements for packaging Federal student aid. Packaging under the CBE Subscription Period Disbursement will follow the same rules and requirements as packaging under normal Title IV rules, including packaging, repackaging aid, and the treatment of overawards.

## PROCESSING AID AND MANAGING FSA FUNDS

Volume 4 of the FSA Handbook provides information on the rules and procedures for requesting and managing funds, disbursing Title IV funds, resolving overawards and overpayments, returning Title IV aid, and reconciling Title IV grant and loan programs. Those rules and procedures are not affected by an institution's participation in CBE Subscription Period Disbursement. All of the requirements described under those chapters will apply under CBE Subscription Period Disbursement.

## WITHDRAWALS AND THE RETURN OF TITLE IV FUNDS

Volume 5 of the FSA Handbook describes the steps an institution must take when a student withdraws, the requirements for calculating the amount of Title IV aid that a student earns when he/she withdraws during a payment period, and the requirements for returning unearned Title IV aid.

In general, the normal requirements for Return of Title IV Funds (R2T4) apply under CBE Subscription Period Disbursement. However, because the waivers and modifications under CBE Subscription Period Disbursement allow a student to begin coursework or competencies prior to the beginning of a term, certain R2T4 requirements are treated differently. The requirements for R2T4 calculations for students who withdraw from programs under CBE Subscription Period Disbursement are described below.

Schools should refer to Volume 5 of the FSA Handbook for complete guidance regarding the handling of Title IV Funds when a student withdraws.

### Program offered in modules

A program is considered to be offered in modules if, for a payment period or period of enrollment, a course or courses in the program do not span the entire length of the payment period or period of enrollment. **CBE programs included under CBE Subscription Period Disbursement are presumed to have competencies that do not span the length of a payment period or period of enrollment; therefore, under this version of the experiment, all programs are considered to be offered in modules.**

Note that the Department considers a module in a CBE program to “end” when the student submits the final assignment and thereafter ceases work on the competency.

### Withdrawals, in general

In general, a student attending a program offered in modules is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the school obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment. A student in a credit-hour program offered in modules is considered withdrawn if:

- the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete and does not provide written notification of his/her intent to return within the payment period or period of enrollment; or

- for a student in a nonstandard-term program (even if the student does provide written notification of his/her intent to return) if the student is not scheduled to begin another course or begin work on a competency within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence (for more information, see “Approved Leaves of Absence” below).

Written confirmation of intent to return must be obtained at the time of withdrawal, even if the student has already registered for subsequent courses. If a school obtains a written confirmation of future attendance but the student does not return as scheduled, the student is considered to have withdrawn from the payment period or period of enrollment.

Unless a student provides written confirmation of future attendance in the payment period or period of enrollment, a student who drops all the future classes that he or she was scheduled to attend between modules (when the student is not attending classes) is considered to have withdrawn, and a Return of Title IV Funds calculation is required.

Finally, as described in Dear Colleague Letter GEN 14-23, Q&A #13, when the competencies in a term-based CBE program do not have specified start and end dates, a school uses subscription periods, and students are enrolled to complete as many competencies as they can during the term, students are considered to be scheduled to attend for the entire term/payment period. Therefore, even if a student completes all of the competencies that were included in the student’s enrollment status for a payment period, if the student completely ceases attendance prior to completing all the days in the subscription period, the student must be considered withdrawn.

CBE Subscription Period Disbursement does not change any of the requirements described above.

### If a student remains enrolled only in non-Title IV eligible courses

Under normal rules for Return of Title IV Funds, if a student ceases attendance (drops or withdraws) from all his or her Title IV eligible courses in a payment period or period of enrollment, the student must be considered a withdrawal for Title IV purposes, even if the student continues to attend Title IV-ineligible courses. **However, under CBE Subscription Period Disbursement, a student is considered withdrawn only when the student is no longer participating in any competencies during the payment period or period of enrollment that count toward completion of the student’s program, including competencies that may have been included in the determination of the student’s enrollment status for a different payment period, but that the student continues to attend in the current payment period.**

### Withdrawal date at institutions required to take attendance and institutions not required to take attendance

An institution is considered “required to take attendance” for purposes of performing Return of Title IV Funds calculations if:

- it is required to take attendance by an outside entity (such as the school’s accrediting agency or a state agency) that has a requirement that the school take attendance;
- the school itself has a requirement that its instructors take attendance; or
- the school or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including but not limited to requiring that students in a program demonstrate attendance in the classes of that program or a portion of that program.

If an institution is required to take attendance, a student's withdrawal date is always the last date of academic attendance as determined by the school from its attendance records. This date is used for all students who cease attendance, including those who do not return from an approved leave of absence (LOA), those who take an unapproved LOA, and those who officially withdraw.

If an institution is not required to take attendance, one of several methods of identifying a student's withdrawal date may apply, as described under 34 CFR 668.22(c) (1). See Volume 5, Chapter 1 of the FSA Handbook for more information on each of these methods.

These requirements still apply under CBE Subscription Period Disbursement. Note that, as described in the Department's Program Integrity Questions and Answers website, if an institution monitors student activity by tracking academic engagement, then the institution would be an institution that is required to take attendance for R2T4 program purposes.

### **When a student who has withdrawn returns within a payment period or period of enrollment**

If a withdrawn student returns to the school within the same payment period or period of enrollment for a term-based program offered in modules, the student is treated as though he or she did not cease attendance and the school must "undo" the Return of Title IV Funds calculation. This requirement does not change under CBE Subscription Period Disbursement.

### **Approved leaves of absence**

A leave of absence (LOA) for Return of Title IV funds purposes is a temporary interruption in a student's program of study. An LOA refers to the specific time period during a program when a student is not in attendance. An LOA is not required if a student is not in attendance only for an institutionally scheduled break. However, a scheduled break may occur during an LOA.

A LOA must meet certain conditions to be counted as a temporary interruption in a student's education instead of being counted as a withdrawal requiring a school to perform a Return calculation. Those conditions are described in 34 CFR 668.22(d), and in Volume 5, Chapter 1 of the FSA Handbook.

One of the requirements to qualify for an LOA is that a school must allow a student returning from an LOA to complete the coursework that he or she began prior to the LOA. In addition, the institution may not impose additional charges and may not award the student additional Title IV assistance during the LOA.

A student granted an LOA that meets the appropriate criteria is not considered to have withdrawn, and no Return calculation is required. Upon the student's return from the leave, he or she continues to earn the federal student aid previously awarded for the period.

CBE Subscription Period Disbursement does not change any of the requirements for approved LOAs.

### **Use of payment period or period of enrollment**

Under CBE Subscription Period Disbursement, institutions are required to use subscription periods, which are synonymous with terms and payment periods for purposes of this version of the experiment. An institution using standard term subscription periods must perform R2T4 calculations on a payment period basis. An institution using nonstandard term subscription periods may perform R2T4 calculations on either a payment period or period of enrollment basis.



## Number of days in a payment period or period of enrollment

For a program included under CBE Subscription Period Disbursement, the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment, as of the day the student withdrew, by the total number of calendar days in the same period. The day the student withdrew is counted as a completed day.

The number of calendar days in the numerator or denominator includes all days within the period, except for institutionally scheduled breaks of five or more consecutive days and days when the student was on an approved leave of absence would also be excluded (see “Approved Leaves of Absence” above).

Institutionally scheduled breaks of five or more consecutive days are excluded from the Return calculation as periods of nonattendance and, therefore, do not affect the calculation of the amount of federal student aid earned. For purposes of R2T4 calculations under CBE Subscription Period Disbursement, a scheduled break includes five or more days during a payment period or period of enrollment in which the institution does not provide the instructional materials and faculty support necessary for academic engagement, as described above under “Weeks of instructional time in an academic year.”

## Other requirements

All other requirements for withdrawals and the Return of Title IV Funds described in Volume 5 of the FSA Handbook, including requirements for institutional charges, post-withdrawal disbursements, and timeframes for return of funds, do not change under CBE Subscription Period Disbursement.

### *Withdrawal and Return of Title IV Funds Calculation Example*

In this example, a student is enrolled in a CBE program using subscription periods that are each 15 weeks long -- exactly 105 days -- and during all that time instructional services are provided to students, so there are no scheduled breaks.

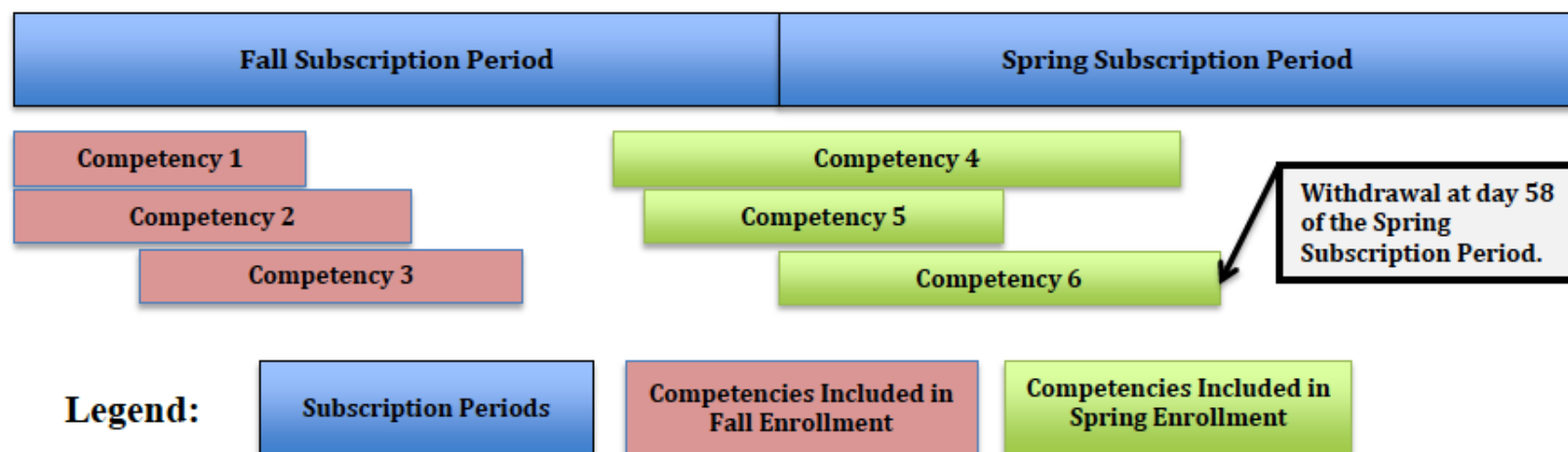
A student begins the Fall Subscription Period taking two competencies, each of which is considered a module for purposes of the R2T4 calculation. The student then begins a third competency four weeks into the term. The institution had determined with the student that all three of those competencies were expected to be completed during the fall term.

The student finishes all three competencies after completing 8 weeks in the term, but decides to take a short break before starting again. The student provides written notification that she intends to begin working on competencies again by the 12th week, so the institution does not consider the student a withdrawal. The student does indeed return in the 12th week and begins work on two competencies -- Competencies #4 and #5 -- that the student expects to complete in the Spring Subscription Period. The student is never considered a withdrawal in the Fall Subscription Period.

The student continues to work on Competencies #4 and #5 through the end of the Fall Subscription Period and into the Spring Subscription Period. The student also begins Competency #6 at the beginning of the Spring Subscription Period. The student then completes Competency #5 after 4 weeks in Spring, completes Competency #4 at the 8th week, but then drops out of Competency #6 without notifying the institution. The institution therefore considers the student a withdrawal and completes an R2T4 calculation.



The student was enrolled and working on at least one competency for 58 days during the Spring Subscription Period. In the R2T4 calculation, the institution divides the 58 days completed by the total number of days in the subscription period (payment period), 105 days, resulting in a completed percentage of 55.2%. That is the percentage that the institution uses in Step 3 of the calculation to determine the amount of Title IV aid that the student has earned for the Spring Subscription Period.



## THE CAMPUS-BASED PROGRAMS

There are no changes to the rules for administration of the campus-based programs under CBE Subscription Period Disbursement. Institutions should follow the requirements as described in Volume 6 of the FSA Handbook.

## PUTTING IT ALL TOGETHER—AWARDING AND DISBURSEMENT UNDER CBE SUBSCRIPTION PERIOD DISBURSEMENT

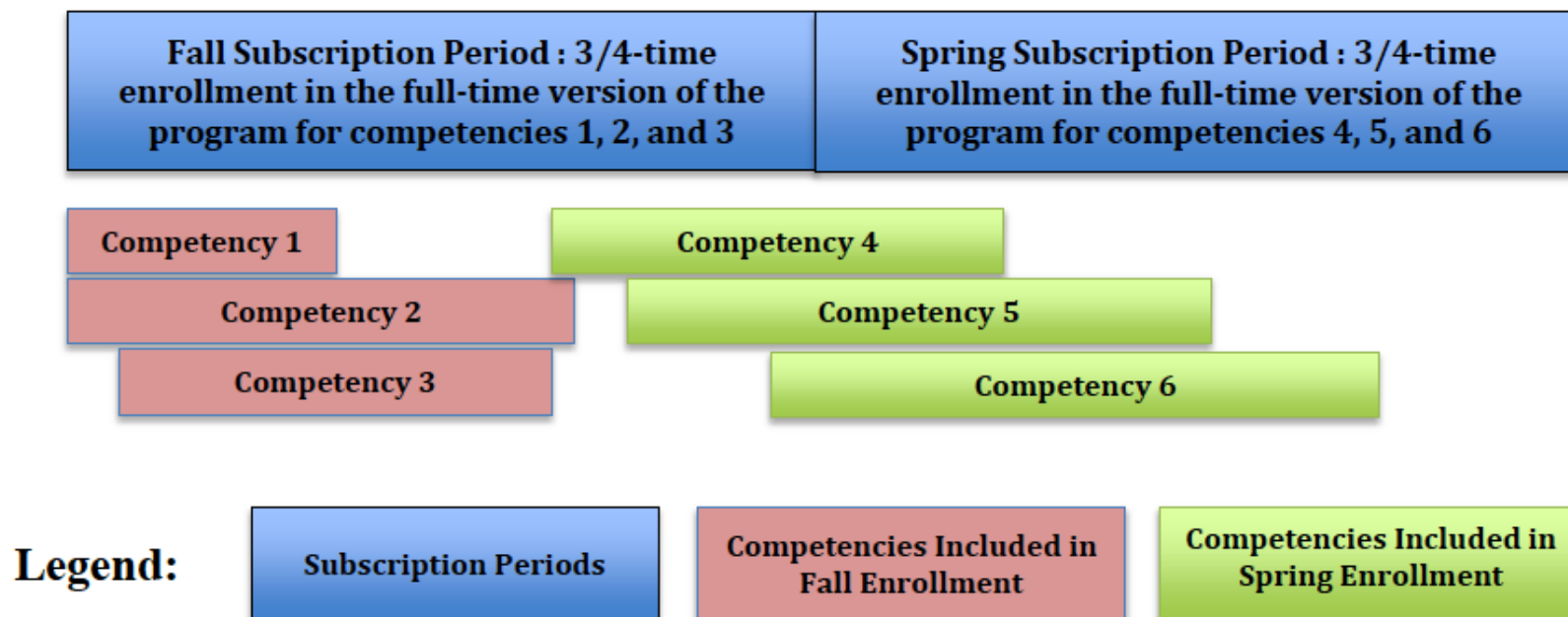
The modified rules and requirements described above provide an overview for the process for providing Title IV aid to students under CBE Subscription Period Disbursement. Below, we provide additional information and examples of how this process works.

### Example 1: Student Accelerating Through Program

In the following examples, we provide a visual aid to describe how aid disbursement and satisfactory academic progress evaluation work under CBE Subscription Period Disbursement. In this first example, a student is moving at an accelerated pace through her program.

In this example, an institution provides a CBE bachelor's degree program. The institution offers full-time and part-time versions of the program. There are 40 competencies in the program, and the published length of the full-time program is five years. The school considers 67% to be the minimum pace for satisfactory academic progress purposes. These subscription periods are each 15 weeks long and meet the requirements for standard terms, so Pell Grant disbursement amounts will be calculated using Formula 1. Also note that in this example, each competency is the equivalent of three semester hours, and the school considers full-time status to include the equivalent of 4 competencies.

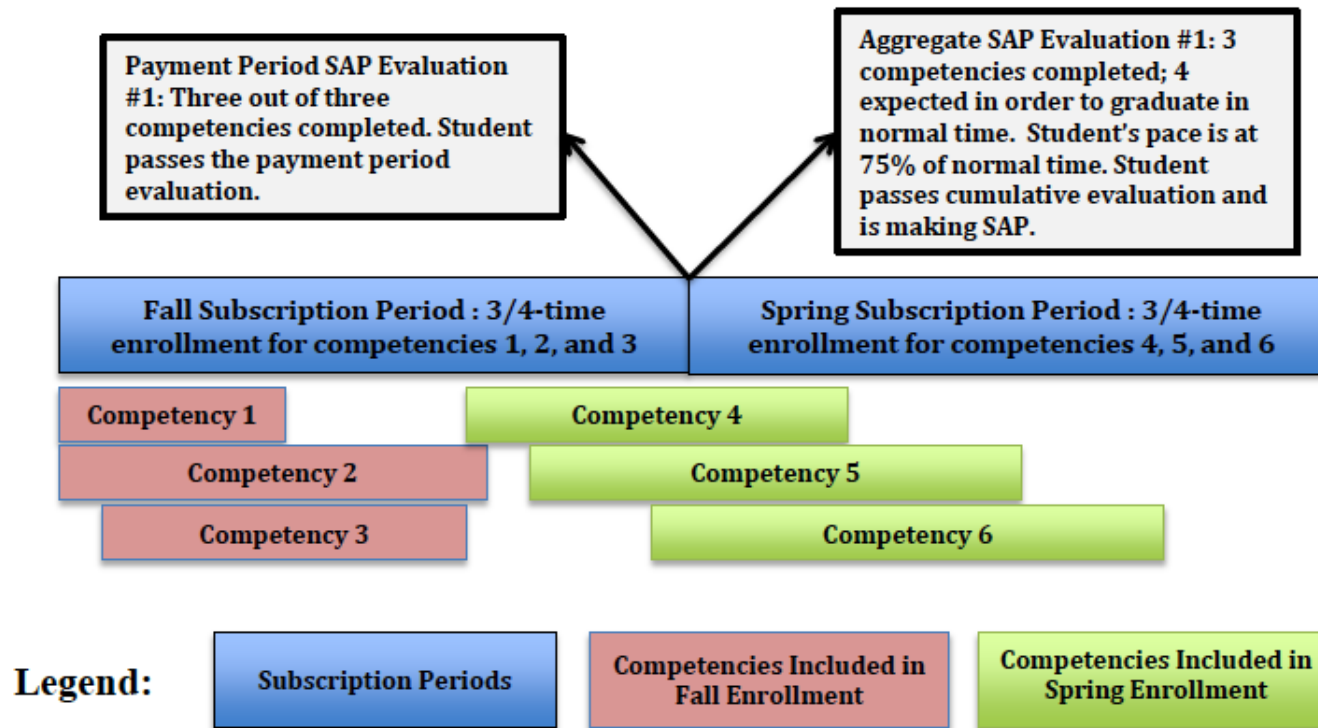
A first-time student begins the full-time version of the program, and the institution expects the student to complete three competencies in the fall subscription period (#1, #2, and #3) and disburses a 3/4-time Pell Grant for that period. The student subsequently completes all three competencies during the fall.



Disbursements occur at the beginning of the subscription period. The student completes the first three competencies at the 10th week of the subscription period. However, because the student immediately begins new competencies at that point, the student is not considered a withdrawal in the fall subscription period.

At the end of the fall subscription period, the institution evaluates the student's satisfactory academic progress. The student completed the three competencies that were included in the student's enrollment status, so the student passes the Payment Period SAP Evaluation.

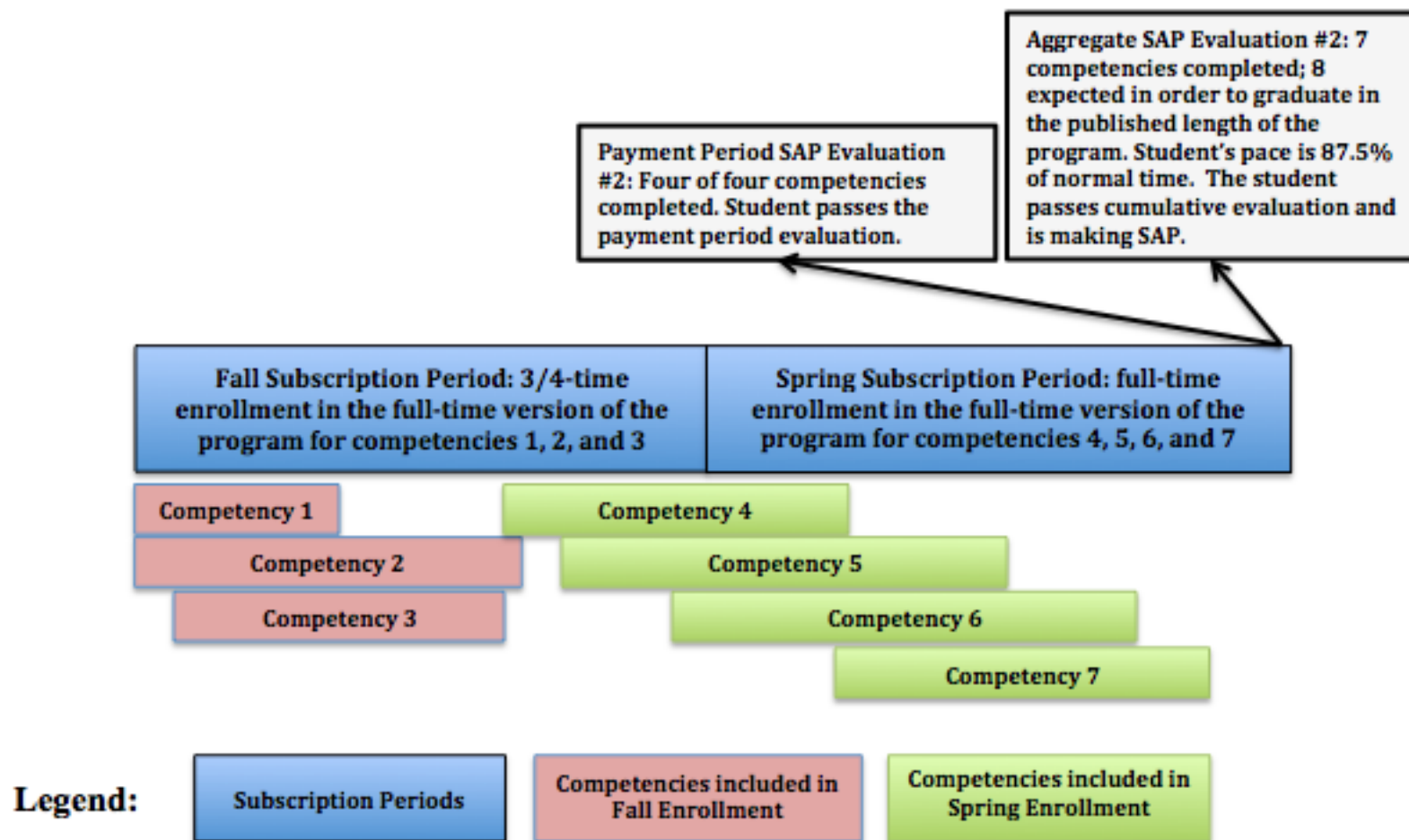
Then the institution performs the student's Aggregate SAP Evaluation, which looks at the student's cumulative progress. The student is just starting out, so the institution only expects 4 competencies to be completed at the end of the first subscription period in order for the student to complete the full-time version of the program in normal time. This student is a bit behind schedule, having completed only 3 competencies, but has still completed 75% of the competencies expected in order to complete in normal time, so the student passes the Aggregate SAP Evaluation as well.



When entering the spring subscription period, the student has already begun three new competencies. After reviewing the student's status, the institution determines that the student is expected to complete three competencies in the spring (#4, #5, and #6), and the school initially disburses 3/4-time Pell Grant for the spring.

However, the student begins a fourth competency early in the spring subscription period, and unexpectedly completes that competency before the subscription period ends. Upon discovering this, the institution recalculates the student's Pell Grant disbursement in the spring to increase from 3/4 to full-time, and accordingly disburses the additional amount of Pell Grant funds.

This student completed four of four competencies included in her enrollment status, so the student passes the Payment Period SAP Evaluation. The student is also improving on cumulative pace, rising to 87.5% of competencies expected in order to complete the full-time version of the program in normal time, so the student passes the Aggregate SAP Evaluation as well.

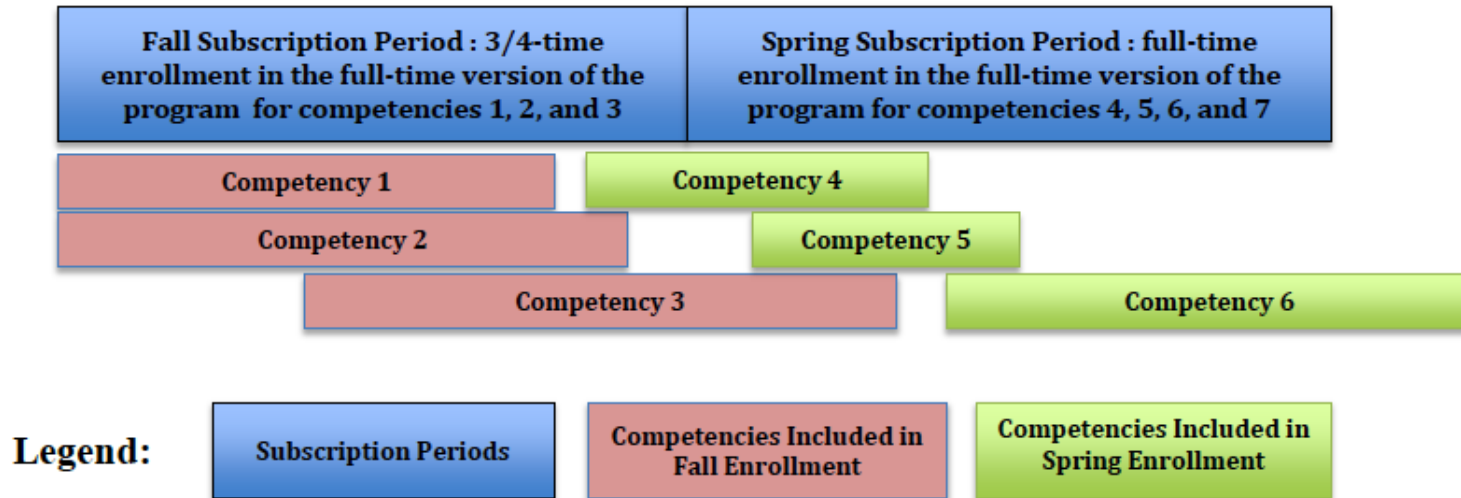


### Example 2: Student Moving Slowly Through Program

In this second example, a student is moving at a slow pace through the program.

This example uses the same program as in the prior example: a CBE bachelor's degree program with 40 competencies in the program and the published length of five years in the full-time version of the program. The school considers 67% to be the minimum pace for satisfactory academic progress purposes. These subscription periods are each 15 weeks long and meet the requirements for standard terms, so Pell Grant disbursement amounts will be calculated using Formula 1. Also note that in this example, each competency is the equivalent of three semester hours, and the school considers full-time status to include the equivalent of 4 competencies.

A first-time student begins the full-time version of the program, and the institution expects the student to complete three competencies in the fall subscription period (#1, #2, and #3) and disburses a 3/4-time Pell Grant for that period. But the student completes only two competencies (#1 and #2) during the fall subscription period.

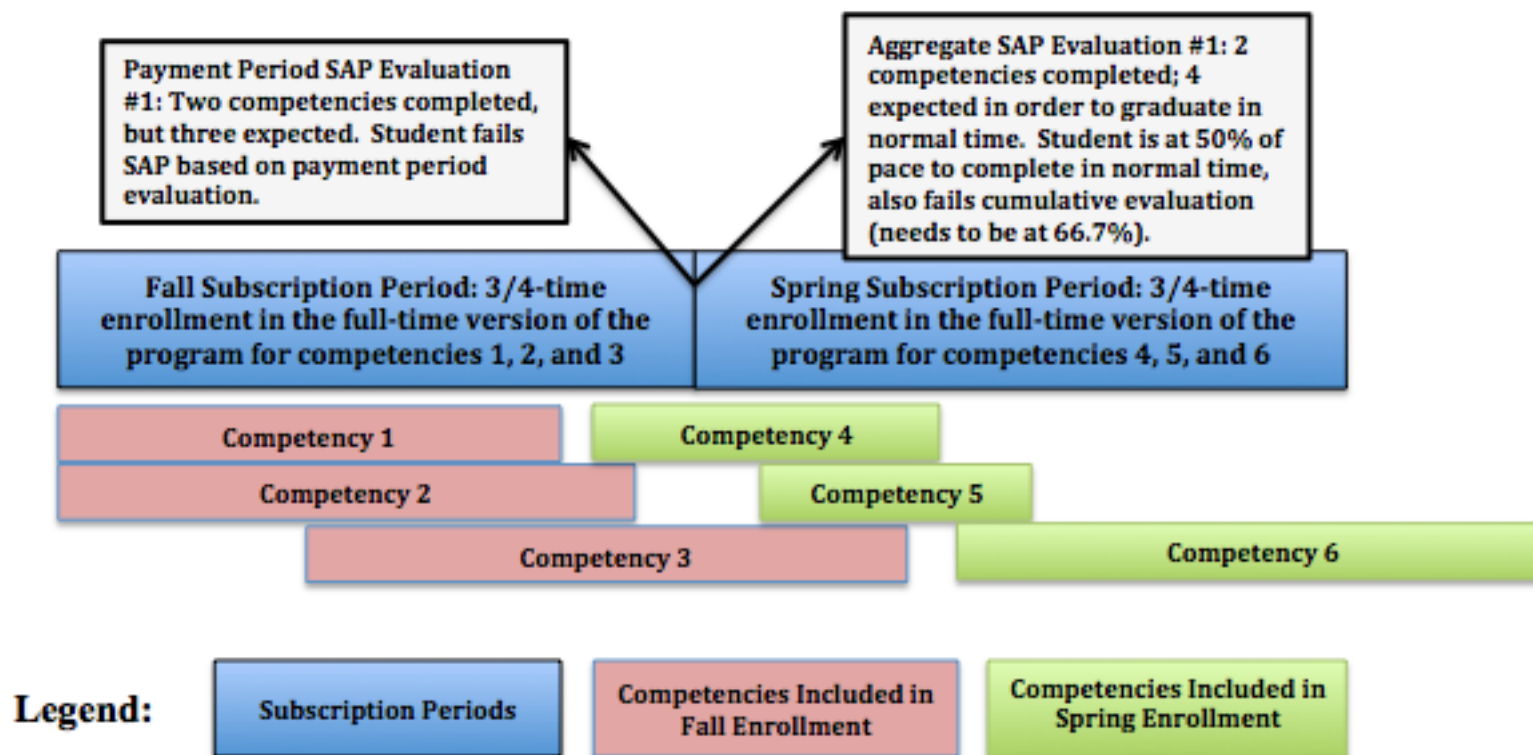


Disbursements occur at the beginning of the subscription period.

At the end of the fall subscription period, the institution evaluates the student's satisfactory academic progress.

The student only finished two of the three competencies that the student was expected to complete during the fall subscription period, so the student fails the Payment Period SAP Evaluation. Note that the student's aid for the fall is not recalculated; the student retains the three-quarters time disbursement of Pell Grant funds.

The student is also behind on cumulative pace. The institution expects 4 competencies to be completed at the end of the first subscription period in order for the student to complete the program in normal time, and this student is significantly behind schedule, having completed only two competencies during that time. The student is at 50% pace to complete in normal time, so the student fails the Aggregate SAP Evaluation. The institution chooses to put the student in a SAP warning status for the Spring subscription period.

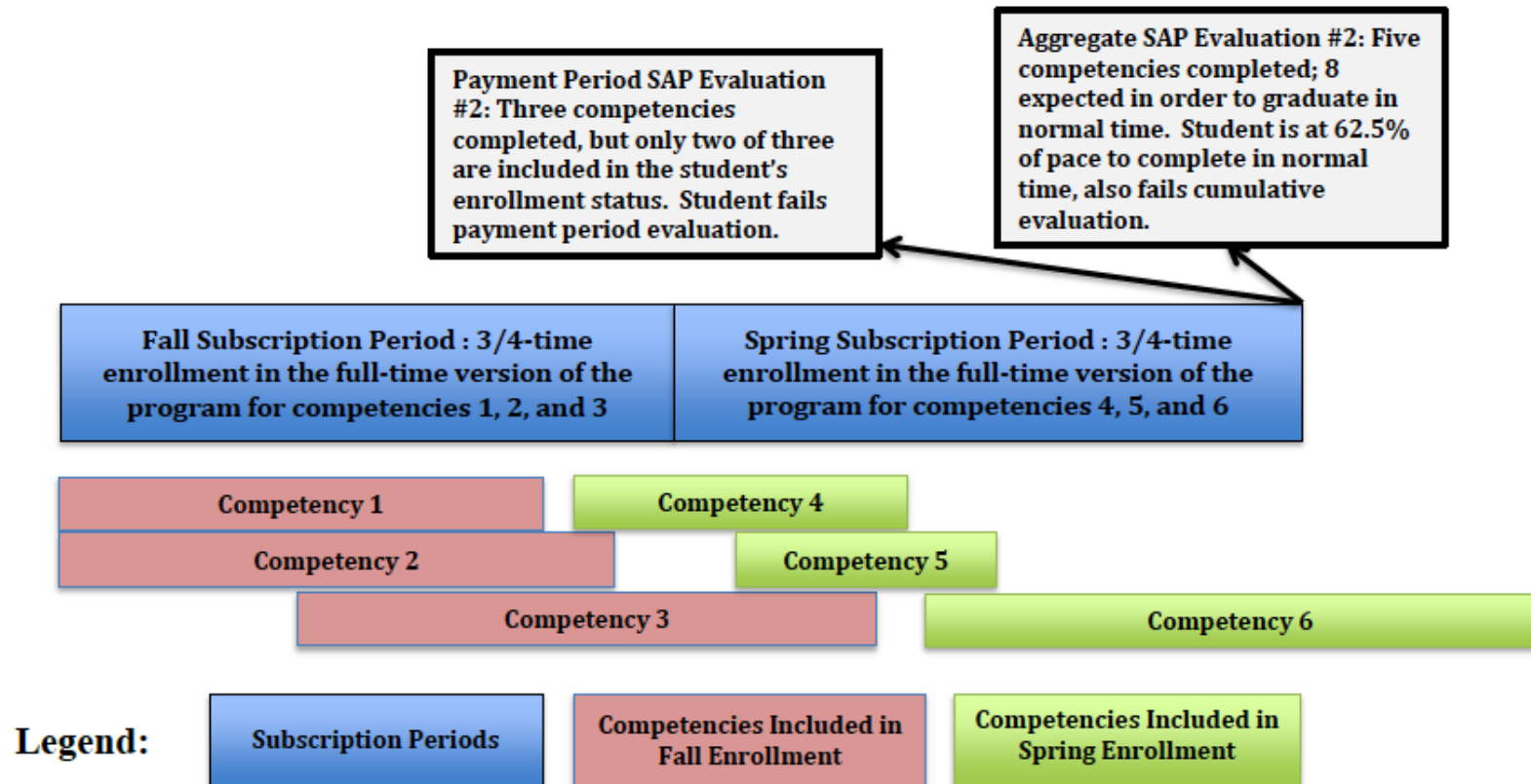


Upon entering the Spring subscription period, the student has begun one of the competencies expected to be completed in the Spring subscription period. The institution checks with the student, and the student is still confident that three new competencies (#4, #5, and #6) can be completed in the Spring subscription period, even though the student is still working on Competency #3, which was begun, but not completed, during the Fall subscription period. Again, disbursements are made at the beginning of the subscription period.

The student does well in Competencies #4 and #5, completing them ahead of schedule. However, the student continues to struggle in Competency #3, and finishes later than expected. The student also struggles with Competency #6, which was begun after completing #3. By the end of the spring, the student has still not completed Competency #6, which means that the student only completed two of the three competencies that expected to have been completed during the subscription period.

Because the student did not finish all three of the competencies that were included in the student's enrollment status for the Spring subscription period, the student fails the Payment Period SAP Evaluation.

The student is also still behind cumulatively. The institution expects the student to have completed 8 competencies by the end of the Spring subscription period in order to graduate in normal time, but the student has only completed 6, and is at 62.5% of pace to complete in normal time. Therefore, the student also fails the Aggregate SAP Evaluation for a second time. Having failed SAP evaluations for two payment periods in a row, the student loses Title IV eligibility, and must appeal successfully in order to regain it. Alternatively, the institution could recommend that the student transfer to the part-time version of the program, which requires a smaller number of competencies to be completed in each subscription period in order to maintain SAP.







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# Reporting and Evaluation

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Institutions participating in the CBE Experiment will be required to collect, maintain, and provide information for students whose Title IV aid is administered under the experiment. Institutions will be required to respond to survey questions provided by the Department regarding the implementation of its CBE programs and the modified disbursement system under the experiment.

## RESEARCH QUESTIONS

Through this experiment the Department seeks to gain a better understanding of how the flexibility in the delivery of Title IV student assistance might facilitate the implementation of CBE programs by institutions and how this flexibility relates to students' costs, borrowing, and completion.

The Department is also interested in learning how the flexibility provided in the experiment for Return of Title IV Funds (R2T4) and Satisfactory Academic Progress (SAP) make it easier for institutions to implement CBE programs and maintain the integrity of the Title IV student aid programs. We also seek to learn how institutions ensure regular and substantive interaction between students and instructors. Additionally, we seek to learn how institutions prohibit payment of Title IV aid for credits from prior learning that were not based on instruction during the payment period.

Finally, we hope to better understand the process by which institutions develop CBE programs, including the process of obtaining accrediting agency approval for such programs and determining, with their accrediting agencies, the clock or credit hour equivalencies for the defined competencies in their programs.

Specific research questions for the experiment include the following:

1. What roles do accrediting agencies, state agencies, and other entities play in establishing CBE programs?
  - Did the institution apply to an accrediting agency, state agency, or another entity for review or approval of a CBE program?
  - How do these entities evaluate and, if applicable, approve CBE programs?
  - What standards, if any, do these entities have in place regarding CBE programs?
2. How do institutions implement CBE programs?
  - What are institutions' processes for assessing student learning in CBE programs?
  - How are institutions' CBE programs designed with regard to faculty roles?
  - Do students receive academic and other support services for enrollment in CBE programs? If so, what kinds of support services are provided and how are they delivered?
  - How do institutions establish credit hours or credit hour equivalencies for CBE programs?
  - How do institutions measure student progression in CBE programs?

3. What do individual CBE programs look like?
  - Description of the CBE program(s) and the credential(s) awarded
  - Description of how the program was conceived, designed, and implemented
  - What is the length of the program, in credit or clock hours or the equivalents?
  - What is the expected length of the program in weeks, months, or years?
  - Number, or anticipated number, of students enrolled in the program annually
  - Does the institution offer the same program in a traditional mode?
  - Is the entire program offered using CBE, or only a portion of it?
  - How much are students charged for the program?
4. What are the implications for the administration of financial aid?
  - How are institutions implementing the modified disbursement method?
  - What benefits or challenges are associated with the modified disbursement method?
  - How feasible would it be for institutions to implement the modified disbursement method on a larger scale to facilitate the expansion of CBE programs?
5. What are the characteristics of students who are enrolled in CBE programs?
  - Financial information from FAFSA/ISIR
  - Academic performance in the CBE program (qualitative and quantitative)
  - Postsecondary enrollment during and following enrollment in the CBE program
  - Financial aid history prior to enrollment in the CBE program

For research questions 1-4, institutions will be required to respond to survey questions when beginning the experiment and then annually at the end of each award year. Surveys will include both multiple-choice responses and open-ended questions. It is expected that responses will come from both academic administrators and financial aid administrators.

For research question 5, Institutions will use the (Institutional Student Information Record (ISIR) Analysis Tool, a secure web-based application, developed by the Department to report student identifiers, ISIR information, and academic and historical enrollment information. Note: Using the student identifiers, the Department will access its systems (COD, NSLDS) to obtain federal aid information and enrollment information, including completion and withdrawal.

The Department reserves the right to modify or add research questions at a later time.

You can find additional information on reporting later in this section.

## REPORTING PROCESS

As indicated above institutions will complete and submit an annual survey to address research questions 1-4 and use the ISIR Analysis Tool to supply individual student level data to answer research question 5.

FSA plans to administer the annual survey in the early fall following the end of each award year a school participates in the CBE experiment. Results of this survey will document the experiences of schools in awarding Title IV assistance within various CBE contexts and provide school-level contextual information for the analysis of individual student level data.

### *ISIR Analysis Tool*

FSA plans to utilize the ISIR Analysis Tool to collect individual financial aid applicant information supplied by students (and their parents) on the Free Application for Federal Student Aid (FAFSA), as well as a few additional data elements supplied by the school for students enrolling in the CBE offerings affected by the experiment. In addition to providing a means for participating schools to report student level participation in the CBE experiment, the ISIR Analysis Tool will provide statistical reports for schools to generate and use to improve their understanding of the effect of implementing the experiment on their campus.

- ▶ **Preparation**—In order to take full advantage of the capabilities of the ISIR Analysis Tool, schools will be required to upload two types of data: First, the information financial aid applicants supplied on their FAFSA, and second, CBE-specific data schools supply on their students affected by the experiment.
- ▶ **Uploading data**—The process of uploading ISIR (FAFSA) data will be straightforward for schools participating in the CBE experiment. The separate requirement of uploading experiment-specific information is also not difficult, but will involve a three step process of 1) creating the data fields to store the information within the ISIR Analysis Tool; 2) creating ASCII text files that contain the extra data and identify the individual whose data it is; and 3) populating the created “user-defined” data fields with the information.
- ▶ **Training**—FSA will provide further training on how to utilize the ISIR Analysis Tool and how to prepare the flat ASCII files.

As will be explained fully in a future training, uploading the ISIR data from the students affected by your participation in the CBE experiment is not difficult.

### *How to access the ISIR Analysis Tool*

The first step is to sign up to use the ISIR Analysis Tool. In order to use the ISIR Analysis Tool, you first must enroll for FAA Access to CPS Online. The Department published an [Electronic Announcement \(EA\) on May 12, 2015](#), announcing the availability of the 2015–2016 ISIR Analysis Tool. To get access to use this web-based application, users must work with the Primary or Secondary Destination Point Administrator at their institution to enroll. Below we have outlined the steps per the May 12, 2015, EA.

## Enrollment and Authentication for the ISIR Analysis Tool Web Site

Your staff members must be enrolled for FAA Access to CPS Online and the ISIR Analysis Tool to access the ISIR Analysis Tool. The Primary Destination Point Administrator (DPA) or Secondary DPA of the TG number currently used by your school to send and receive FAFSAs and ISIR corrections automatically has access to the FAA Access to CPS Online Web site and can add or modify rights. The Primary or Secondary DPA needs to enroll financial aid staff members for access to the FAA Access to CPS Online and ISIR Analysis Tool Web sites. The Primary DPA must be enrolled for FAA Access to CPS Online before he or she can enroll additional staff members.

If your school is enrolled for 2014-2015, your enrollment carries over to 2015-2016. If your school is not enrolled, your school's Primary or Secondary DPA can complete the enrollment for FAA Access to CPS Online Web site services for your school, including access to the ISIR Analysis Tool, through the SAIG Enrollment Web site, located at <https://fsawebenroll.ed.gov>.

A Federal Student Aid User of Electronic Services Statement must be printed by the Primary DPA and signed by new users of the FAA Access to CPS Online, R2T4 on the Web, or ISIR Analysis Tool Web sites. While you are not required to mail the Federal Student Aid User of Electronic Services Statement to FSA's Participation Management system, you must retain signed copies at your school.

To access the FAA Access to CPS Online Web site, you must use an FSA User ID and password. Any FAA Access users at your school who do not have an FSA User ID can acquire one by completing the following steps:

| Step | Action   |
|------|--|
| 1    | Go to the <a href="#">SAIG Enrollment Website</a> and click on the "FSA User ID Registration" link on the left-hand side of the home page. |
| 2    | Enter the identifying information requested and click on "Submit."   |
| 3    | Follow the remaining steps, which include establishing a password and setting up challenge questions.                                      |

During the FSA User ID registration process, the user will be presented with the e-mail address reflected within the SAIG Enrollment Web site. We will use this e-mail address to send the FSA User ID.

**Note:** As first explained in a [January 13, 2012, Electronic Announcement](#) on the IFAP Web site, one of the technology security initiatives we implemented in 2012 is a security process called Two Factor Authentication (TFA). Through TFA, when logging in to certain Federal Student Aid systems, including the FAA Access to CPS Online Web site, an authorized user is required to use a traditional User ID and Password as well as provide a One-Time Password (OTP). The OTP is generated by a registered token device that is in the physical possession of the user. If you have questions about TFA or need additional tokens, send an e-mail to [TFA\\_Communications@ed.gov](mailto:TFA_Communications@ed.gov).

### Creating a Flat ASCII File

To upload the ISIR records of the applicants participating in the experiment, you will need to create an ASCII (flat text) file that lists all applicants participating in the CBE experiment. The flat file should include the following:

- ▶ Student SSN
- ▶ First two letters of the student's last name (all CAPS).

### User-Defined Data

To add user-defined data specific to the CBE experiment, you must first create the fields in the tool by completing the following steps:

| Step | Action   |
|------|--|
| 1    | Identify and create the “user-specified” fields related to your CBE Program in the Tool.   |
| 2    | Create a flat ASCII file that identifies the student (SSN and first two characters of last name-ALL CAPS) and contains the “user-specified” data identifying the individual user-specified field value for each student. |
| 3    | Upload the flat ASCII file into the Tool.  |

After uploading the required ISIR and user-specified information, a school will be able to generate a statistical report that allows school staff to explore their initial implementation of the CBE experiment.

The data will be used to make informed policy decisions for future changes to law and/or regulations.

### References and Resources



[July 31, 2014, Federal Register](#)

[Experimental Sites Website](#)

[Electronic Announcement for 2015–2016 ISIR Analysis Tool](#)

[Electronic Announcement for the Demo Site](#)

