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Loss of Eligibility of Title IV Funding
Program Integrity Triad
Narrative Summary

Title IV of the Higher Education Act sets forth three basic requirements that must be met in order for an institution to be eligible to receive Title IV funding: (1) State Authorization, (2) Accreditation and (3) Eligibility and Certification by the Department of Education ("ED"). These three requirements are known as the "Program Integrity Triad."

<u>State Authorization</u>

An institution must be authorized to operate a postsecondary educational program in the state where the institution is located. This means that an institution must receive a charter or license by the appropriate state licensing authority as well as comply with any additional state licensure requirements.

<u>Accreditation</u>

An institution must also be accredited by an accrediting agency or association that is recognized by ED. Accrediting agencies are required to meet certain standards in order to be certified by ED.

<u>Eligibility and Certification by ED</u>

An institution must also be certified by ED, which has three facets: (i) Financial Responsibility, (ii) Administrative Capacity and (iii) Additional Requirements.

- Financial Responsibility – A public institution is considered "financially responsible" if its debts are backed by the full faith and credit of a state or other government entity. A propriety or private nonprofit institution is "financially responsible" if it meets certain financial ratios (i.e., its composite score is greater than or equal to 1.5), it has sufficient cash reserves to make any required refunds, it is meeting all of its financial obligations, and it is current in its debt payments. If an institution is not financially responsible, it may still be eligible to receive Title IV funds if, for example, it posts an irrevocable letter of credit or satisfies an alternative set of monitoring requirements. Institutions must also receive unqualified audit opinions, meet certain past performance benchmarks and, in the case of proprietary institutions, generate at least 10 percent of revenues from non-Title IV sources.

- Administrative Capacity – An institution must also demonstrate its ability to properly administer its Title IV programs. This assessment focuses on the institution's administrative processes and personnel. One key metric of an institution's administrative capacity is the number of its graduates who default on their student loans within a certain period of time after entering repayment (i.e., the "Cohort Default Rate"). Institutions with high Cohort Default Rates are deemed to lack administrative capacity.

- Additional Requirements – Other considerations affecting an institution's eligibility include satisfying certain program limitations, avoiding of criminal activity and avoiding bankruptcy. An institution that files for bankruptcy automatically loses its eligibility to receive Title IV funds on a permanent basis.