

Using Title IV Federal Financial Aid for Study Abroad

What is the basis for using federal financial aid to pay the cost of studying abroad?

Over the past twenty years the use of Title IV federal financial aid for study abroad had steadily expanded. The 1992 reauthorization of the Higher Education Act of 1965, U.S. Public Law 89-329, recognized study abroad as a legitimate educational program eligible for federal aid. Subsequent reauthorizations have confirmed and further defined this.

Since Title IV aid is need-based, student eligibility requires proof of financial need and the maintenance of *satisfactory progress* toward a degree or certificate. In 1965 *eligible programs* were defined exclusively as accredited U.S. institutions of higher education. Some universities allowed students enrolled in their own study abroad programs to use federal aid; others did not. This disparity led to the inclusion of language in the 1992 reauthorization making “study abroad programs approved by the home institution at which the student is enrolled” eligible for Title IV aid.¹

During the mid-1990’s, a controversy arose about the use of federal aid for programs administered by other schools or providers, or by direct enrollment for a term or year at a foreign institution. Although the Department of Education regulations allowed for *written agreements* between the student’s home school and the institution providing the program of instruction, it was unclear whether they could be used for a course of foreign study through an ineligible institution.

A reauthorization of the Act had begun in 1998, prompting a review of Department of Education regulations. The timing was perfect to clarify language to include any program of study abroad approved by the home institution, a mechanism which would allow students to use their federal aid.

Title 34, Section 668.5 of the Code of Federal Regulations, titled ‘Written Arrangements to Provide Educational Programs,’ defines how to use written agreements to contract out a portion of a student’s educational program. A new subsection, ‘Written Arrangements for Study Abroad,’ clearly stated that eligible institutions could enter into agreements with other eligible universities, with foreign universities, or with “an organization acting on behalf of a foreign institution...”² The new regulation was published in the Federal Register as a final rule on November 1, 2000.³

One might think that this signaled the end of any disagreement about whether federal aid could be used for study abroad by an eligible student. But as always, the devil is in the details.

¹ Hoffa, William W. and DePaul, Stephen C., eds. *A History of Study Abroad: 1965 – Present*. Carlisle, PA. Frontiers Journal Inc., 2010. p.273.

² “Institutional Eligibility; Student Assistance General Provisions; Federal Work-Study Program; and the Federal Pell Grant Program; Final Regulations.” Federal Register vol. 65, No. 212 (Wednesday, November 1, 2000). p.65674. <<http://www2.ed.gov/legislation/FedRegister/finrule/2000-4/110100e.pdf>> . 1 Aug. 2012.

³ Ibid. 1 Aug. 2012

Does the law require an eligible student's home institution to provide Title IV aid to study abroad through non-affiliated organization, or are there legitimate reasons to refuse?

It would appear there is no reason for schools to refuse to provide aid for study abroad regardless of who administers the program. Yet a survey of 16 sending institutions found that only 9 (56%) allow their students to use Title IV aid for programs run by other non-affiliated organizations, while 7 (44%) do not. According to the Institute of International Education *Open Doors* data, these institutions sent 17,919 students abroad in 2009-2010.⁴ While this is only 7% of the 270,604⁵ reported abroad that year, the schools represent a wide spectrum of U.S. institutions: public baccalaureate, masters, or doctoral; private baccalaureate or doctoral; and community colleges. Some of the responding schools are also Historically Black Colleges and Universities.

When asked why Title IV aid was refused to students attending unaffiliated programs, the following reasons were given:

- Academic departments will not award credit for study on non-affiliated programs.
- Transfer credit may be possible, but will not be evaluated until the student produces a transcript at the end of the program.
- The institution will not approve contractual agreements for individual students.
- There is no way to assure that nonaffiliated programs meet institutional standards for academic quality, health and safety concerns, cultural integration, etc.
- There are a sufficient number of already approved programs from which to choose.
- The financial aid office says it is illegal.
- Only programs led by our institution's faculty are eligible for aid, and only students enrolled at our institution are accepted to those programs.

In a second survey of 13 study abroad provider organizations, 11 (85%) reported that some institutions will not provide aid for their students. These organizations reported sending 31,015 abroad in 2009-2010. The responding organizations include those both eligible and ineligible to award Title IV aid. When asked why aid was denied, the following reasons were given:

- Credit cannot or will not be preapproved. (most commonly cited reason)
- It is illegal to award Title IV aid for non-affiliated programs.
- The home school will only sign agreements with other eligible institutions.
- The sending institution does not have the resources to process aid for non-affiliated programs.

Why, given the language in the Higher Education Act, might these be acceptable reasons for denying aid? The answer can be found in the Department of Education regulations, which are explained most coherently in the annual Federal Student Aid Handbooks.

⁴ Institute of International Education. *Open Doors 2011: Study Abroad by U.S. Students Rose in 2009/10 with More Students Going to Less Traditional Destinations*. IIE, 14 Nov. 2011. < <http://www.iie.org/Who-We-Are/News-and-Events/Press-Center/Press-Releases/2011/2011-11-14-Open-Doors-Study-Abroad>>. 3 Aug. 2012.

⁵ Ibid.

What do the regulations say about providing Title IV aid for programs administered by other non-affiliated organizations?

The use of agreements allowing schools to contract out a portion of a Title-IV-eligible student's education has been outlined in Department of Education regulations since at least 1992. Using written agreements for this purpose signals acceptance of the concept that students can supplement the educational program offered by the home institution with outside courses or activities. As early as 1995, the regulations mentioned using an agreement to provide aid to students on study abroad or domestic exchange programs.⁶

It is clear that both federal law and Department of Education regulations allow the use of Title IV financial aid for study abroad regardless of who is administering the program. In order to use that aid, eligible students must maintain their enrollment in a degree or certificate program at a school that is eligible to participate in Title IV aid programs. They must remain eligible to receive aid by enrolling in courses approved by the home school, by being enrolled at least half-time while abroad, and by making satisfactory academic progress by earning passing grades.

What constitutes a written agreement?

If the study abroad program is offered by another institution, the Department of Education requires that the home and host school have a written arrangement to provide the program of study abroad to one or more students. This agreement can be for a single student or a group of students, or it can be for all students from the home school attending any of the host school's programs. A single agreement can be used to cover all programs administered by the host organization and can be for one academic period or for many, as long as the terms of the arrangement do not change.

There are two types of written agreements: the consortium agreement and the contractual agreement. The former is between two institutions that are both eligible to provide Title IV aid; the latter is between an eligible school and an ineligible school or organization. While there are some technical differences between what must be included in the two types of agreements, both exist to allow the home school to contract out a portion of the student's educational program, and both assume that the coursework taken while away from the home school has been evaluated and approved as equal in quality to that offered on the home campus.

A consortium agreement must include certain information and assurances about:

- which school will grant the student's degree or certificate;
- the student's tuition, fees, and room and board costs at each school (*cost of education*);
- the student's enrollment status at each school;
- which school will be responsible for disbursing aid and monitoring *student eligibility*;

⁶ 1995-1996 Federal Student Aid Handbook. "Chapter 3: Institutional Eligibility and Administrative Requirements." U.S. Department of Education. <http://ifap.ed.gov/fsahandbook/doc0024_bodyoftext.htm> 8 Aug. 2012.

- procedures for calculating awards, disbursing aid, monitoring satisfactory progress and other student eligibility requirements, keeping records, and returning funds in the event the student withdraws.⁷

None of the eligible study abroad provider organizations that took part in the survey provide Title IV aid to study abroad students from other institutions. But all of the sending schools that use written agreements do so in order to allow their students to use Title IV aid for study abroad. With a contractual agreement, only the home institution is eligible to award federal aid, so there is no need to specify which school will disburse aid or monitor student eligibility and satisfactory progress. A much broader survey would be required to provide statistical proof, but these appear to be standard arrangements for using a written agreement for study abroad.

While there are no restrictions on using consortium agreements between eligible institutions, there are some for contractual agreements. Most fall into two categories:

- a prohibition on entering into an agreement with an organization that has either lost or been denied eligibility to participate in federal aid programs, and
- a limit on the amount of credit that can be provided toward the degree by the ineligible institution.

Since that limit is either 25% or 50% of the total educational program, the typical study abroad experience of not more than one academic year would not be affected by this stipulation.⁸

The ability to include study abroad program costs higher than those of the home school in the budget used to determine the cost of education was an important addition to the Higher Education Act. The first mention of this in the Handbook's chapter on written arrangements occurred in the 2004-2005 version⁹ and has been in each one since then.

How do sending schools and study abroad provider organizations design and use written agreements?

The vast majority of sending schools require a signed written agreement with the study abroad provider organization. Approval methods vary: some schools indicate that the agreements are approved by both the study abroad and the financial aid office, whereas others say that approval comes only from the study abroad office or that only the financial aid office signs off.

⁷ 2011-2012 Federal Student Aid Handbook. "Chapter 2: Program Eligibility, Written Arrangements, and Distance Education." U.S. Department of Education. p. 2-22.

<<http://ifap.ed.gov/fsahandbook/attachments/1112FSAHbkVol2Ch2.pdf>>. 10 Aug. 2012.

⁸ Ibid. p. 2-24 – 2-25. 10 Aug. 2012.

⁹ 2004-2005 Federal Student Aid Handbook. "Chapter 7: Program Eligibility, Written Agreements Between Schools." U.S. Department of Education. p. 2-135.

<<http://ifap.ed.gov/sfahandbooks/attachments/0405Vol2Ch7AgreementstweenSchools.pdf>> 21 Aug. 2012.

The schools that do not use agreements have a pre-approval process administered by a review committee in the study abroad office. The objective is to examine the credit each student proposes to earn to determine if it will be acceptable for use toward the degree. This is in keeping with the most important concept behind written agreements: that the home school has determined that the proposed coursework is of the same quality as the coursework on the home campus.

Samples of written agreements were solicited from the institutions and organizations answering the surveys. While all were written somewhat differently, all included certain items:

- The name of both the home school and the host institution.
- Start and end dates of the study abroad program.
- Where the student(s) covered by the agreement is/are enrolled in a degree program.
- The home school agrees to apply credit earned with passing grades to the degree program.
- The host institution will send a transcript or record of credit earned and courses taken.
- The student must be enrolled full-time while on the program.
- The host institution will notify the home school if the student drops below full time or the program is cancelled.
- The host institution will supply the study abroad costs so the cost of education can be determined.
- The host institution will not provide the student with any federal financial aid.
- Who the responsible offices are at the home and host institutions.
- The signature of the host institution and the date signed.

There were additional items in the agreements that were not included in every example:

- The host institution will report any scholarships or non-federal aid the student receives so it can be included in the cost of education calculations.
- To whom the federal aid will be disbursed – the student or the host institution.
- Who is responsible for paying the host institution's fees.
- Who is responsible for monitoring the student's financial aid eligibility and satisfactory academic progress.
- Signatures of responsible persons at both the home school and the host institutions.

Conclusion:

When federal rules about providing Title IV aid for study abroad are examined by reviewing the 2011-2012 Federal Student Aid Handbook, it is clear that there are some legitimate reasons for a home school to refuse to enter into written agreements:

- The sending school cannot or will not pre-approve credit earned on non-affiliated programs, which is required in order to enter into a written agreement.
- The sending school feels there is no legitimate way to determine that the academic program offered by the host school is of the same quality as the academic coursework offered on the home campus.

- The host organization has lost its eligibility to participate in Title IV aid programs, or has applied for eligibility and been denied.
- The student is proposing to complete more than either 25% or 50% of his/her work toward the degree on a program administered by an ineligible institution.

Of these reasons, only the first two were cited by any of the sending schools who answered the survey and said they would not allow federal aid to be used for non-affiliated programs. The other reasons given would likely be difficult to defend in light of the language in the Handbook. They include:

- There are already plenty of approved programs to choose from.
- The financial aid office says it's illegal to provide aid for non-affiliated programs.
- Only programs run by our faculty (which are only open to students enrolled at the home school) are eligible for Title IV aid.
- There is no way to ensure that cultural immersion, housing, student health and safety, etc. will be adequate.
- The school will not sign an agreement for an individual student.
- Consortium agreements with eligible institutions are allowable, but not contractual agreements with ineligible organizations.

When asked what steps are taken to help students get access to their Title IV aid, 100% of the study abroad provider organizations said they routinely provide the following information:

- Course descriptions for courses the student proposes to take on the program.
- Program fee and other costs (housing, standard living and local transport, etc.) needed to calculate the cost of education.
- Other information requested in the written agreement provided by the home school.

Additional actions on the part of study abroad program providers include:

- Working with students to provide information about how federal aid can legally be used to support their study abroad costs. – 100% of those surveyed
- Providing information online or directly to students about how to work with the home school to use federal aid for the program. – 54%
- Contacting the home school to insist that it is illegal to withhold federal aid. – 23%.
- Talking with the school about facilitating the transfer of Title IV aid for the program and providing information about how to do so legally. – 38%
- Providing a general template of a written agreement if the home school is unsure how to create one. – 31%

All of these ideas for working with students or their home schools are valid; however, there will always be cases where aid still will not be released. Since there are legitimate reasons for this, including a fear that any errors will cause negative comments during a federal audit, it is probably unrealistic to expect 100% cooperation from every sending institution.