

Competency-Based Education (CBE) Experiment Reference Guide

This Reference Guide is designed to assist schools participating in the Experimental Sites Initiative (ESI) CBE Experiment to successfully implement the experiment.

Table of Contents

Introduction

Icon Definitions	i-3
Experimental Sites Team	i-4
Waivers and Modified Requirements in the CBE Experiment	i-5
Responsibilities of Institutional Offices	i-7

Section 1: Introduction to CBE

What is CBE?	1-1
How Do I Know If My Program is CBE?	1-1
Can CBE Be Offered Using Credit or Clock Hours?	1-1
What is Direct assessment?	1-2

Section 2: Getting Started in the CBE Experiment

Program Participation Agreement (PPA) amendment	2-1
Reporting CBE Programs to FSA	2-2
Instructions for Adding CBE Programs to E-App	2-3
Documentation Requirements for Participating Institutions	2-4
• Chart of Required Documentation	2-5
Policies & Procedures	2-5
Systems	2-7
Answer Key	2-8

Section 3: Modified Rules and Regulations

Overview of Waivers and Modified Requirements	3-1
Application and Verification	3-2
Student Eligibility	3-3
• Satisfactory Academic Progress (SAP)	3-3
• Enrollment Status	3-7

School Eligibility & Operations	3-9
• Program Participation Agreement (PPA)	3-9
• Direct assessment Programs	3-9
• Regular and Substantive Interaction	3-9
• Satisfactory Academic Progress (SAP)	3-11
• Audits and Program Reviews	3-11
• Updating Application Information	3-12
Calculating Awards & Packaging	3-13
• Academic Year Requirements	3-13
• Academic Calendars	3-14
• Payment Periods	3-14
• Disbursement Timing	3-16
• Cost of Attendance – Direct and Indirect Costs	3-20
• Calculating Pell and Iraq & Afghanistan Service Grant Awards	3-22
• Calculating TEACH Grants	3-25
• Direct Loan Periods and Amounts	3-26
• Awarding Campus-Based Aid	3-31
• Packaging Aid	3-32
Processing Aid & Managing FSA Funds	3-38
• Disbursing FSA Funds	3-38
Withdrawals and Return of Title IV Funds	3-41
The Campus-Based Programs	3-43
Putting it All Together: Disbursement Progression under the CBE Experiment	3-44
• Academic Year Progression Chart	3-44
• Example: Student Accelerating through Program -1 st Academic Year	3-45
• Example: Student Accelerating through Program – 2 nd Academic Year	3-47
• Example: Student Moving Slowly through Program – 1 st Academic Year	3-48
• Example: Student Moving Slowly through Program – 2 nd Academic Year	3-49
• Comparison Between Current Nonterm Rules and Experimental Rules: Student Moving Quickly	3-50
• Comparison Between Current Nonterm Rules and Experimental Rules: Student Moving Slowly	3-51

Section 4: Reporting & Evaluation

Research Questions	4-1
Reporting Process	4-3
• ISIR Analysis Tool	4-3
• How to Access the ISIR Analysis Tool	4-4
• Creating a flat ASCII File	4-5
• User-defined data	4-5

Introduction

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.

Required Policies & Procedures



Describes or emphasizes something that needs to be included in a school's policy or procedure statement.

Reminder!



Used to highlight important reminders such as deadlines, processes, or waivers. Especially those that reflect an administrative capability issue or a waiver of a regulation.

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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). 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 above.

Waivers and Modified Requirements in the CBE Experiment

Law/Regulations	Description
34 CFR 668.4(c)	Definition of a payment period
34 CFR 690.63(e)(2)	Calculation of a Federal Pell Grant for a payment period
34 CFR 685.303(e)(2) and (3)	Annual loan limits for Direct 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
HEA Section 428G(a)(2) and 34 CFR 685.303(d)(3)(ii)(B)	Determining disbursement dates for Direct Loans
HEA Section 484 B and 34 CFR 668.22 NOT exempt from 34 CFR 668.22(a)(2) and 34 CFR 668.22(a)(6)	Treatment of t IV funds when a student withdraws
HEA Section 484(c) and 34 CFR 668.34(a)(3)(ii) , (a)(5)(ii) , and (b)	Satisfactory Academic Progress

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.

Both the waivers and modifications to title IV legal requirements under the CBE experiment will be described in greater detail in Section 3 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.

Waivers and Modifications

- The experiment 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.
- The experiment 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.
- The experiment 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.
- The schedule for applying grade level increases to annual loan limits for Direct Loans is modified. 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.
- Annual loan limits for Direct Loans are also modified. 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.
- This experiment modifies rules for disbursement timing for the campus-based and TEACH programs to be consistent with the experimental disbursement method.
- This experiment waives specific R2T4 requirements, and 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.

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.	

Section 1: Introduction to CBE

What is CBE?

There are many types of 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 CBE?

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 CBE 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](#)

Section 2: Getting Started

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.



Reminder!

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



Checkpoint:

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 CBE 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

1.	Add new CBE Programs to Section E of E-APP that you intend to include in Experiment	"CBE" must be included in the title. Example: ENGLISH-CBE
2.	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. Example: ENGLISH-CBE
3.	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
4.	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 .	
5.	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 2-11.

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 & Procedures

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 34 CFR 602.22, and:</p> <ul style="list-style-type: none"> • 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 • 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 34 CFR 668.10. <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>	
Academic Year	<p>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.</p>	

Policy Topic	Required policy & procedure	Date procedure updated
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 institution'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 instruction 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 34 CFR 668.10(a)(3)(iii), 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>	
Withdrawals and the Return of Title IV (R2T4)	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 CFR 668.164(g) , except insofar as post-withdrawal disbursements will not be calculated in accordance with 34 CFR 668.22(e) . 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 CFR 668.21 to return funds for a payment period in which a student did not begin attendance.	
Satisfactory Academic Progress (SAP)	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	

Policy Topic	Required policy & procedure	Date procedure updated
Satisfactory Academic Progress (SAP) (continued)	regulations at 34 CFR 668.34 (b) . 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.	

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



Checkpoint:

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** 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?

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.

Section 3: Modified Rules and Regulations

The CBE Experiment 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 experiment 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.

The experiment 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.

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

The CBE experiment 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.



Reminder!

The experiment 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 experiment, 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 experiment, 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 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.

Note that under the CBE Experiment, 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 Experiment, 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:

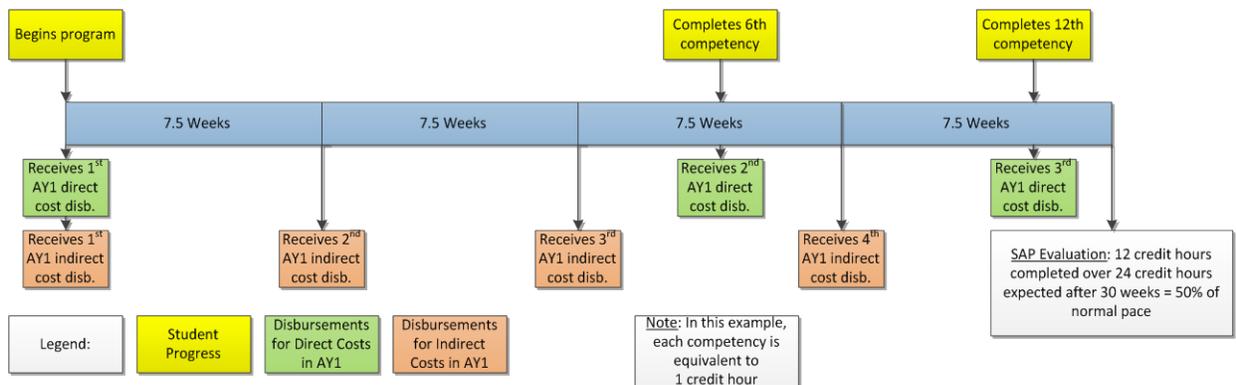
A student was enrolled in a CBE program.

- 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.



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

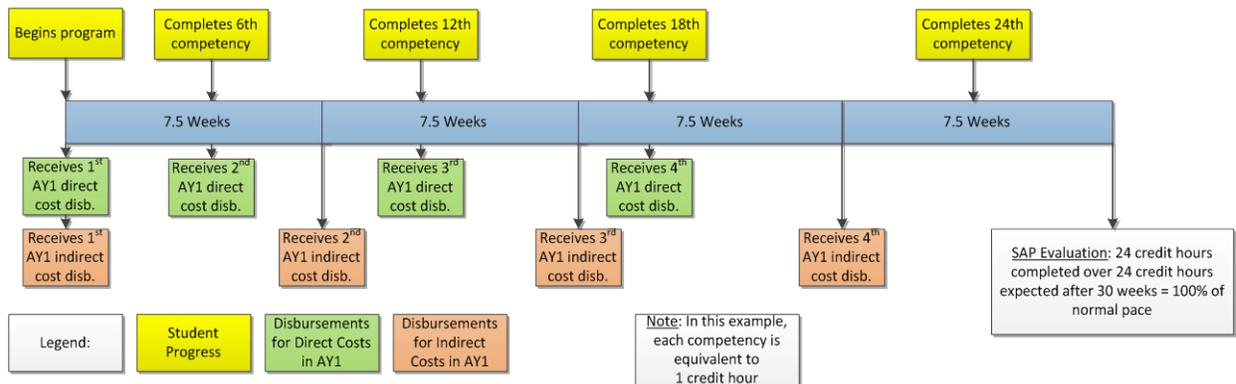
SAP Example #2:

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.



After evaluation, institution determines that the student is making SAP.



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 the experiment?		

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 experiment 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 the CBE Experiment.



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 the CBE experiment 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 2-1 of this Guide 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 the CBE experiment does NOT change any of the requirements for offering a direct assessment program.



Reminder!

An institution may participate in both the CBE Experiment 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 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.



Reminder!

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

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 experiment, 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 Experiment 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 Experiment, 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 (<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 itself may determine the eligibility of a program that is offered using credit or clock hours:

- The program leads to a degree; or
- The program does not lead to a degree, but prepares students for gainful employment in the same or related recognized occupation as an educational program that ED already has designated as an eligible program at the school.

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 experiment 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 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 in the CBE experiment. Additional information on this process is provided in Sections 2-4 of this Guide.



Reminder!

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 Experiment 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, satisfactory academic progress, and treatment of Title IV aid when a student withdraws – are changed under the experiment.

All other requirements described in Volume 2 of the FSA Handbook remain in effect for institutions participating in the CBE Experiment

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 the CBE experiment 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 Experiment. The CBE Experiment 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. The CBE Experiment does not change these definitions; however, all programs included in an institution's participation in the CBE Experiment 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).

- **The CBE experiment waives the definition of a payment period in [34 CFR 668.4\(c\)](#).**

Under the CBE experiment, 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 this experiment, 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 the CBE Experiment, 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. The experiment 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.

Academic Year: 15 Weeks of Instructional Time and 24 Semester Hours			
Direct Cost Payment Period 1: 8 Semester Hours (25% of academic year)	Direct Cost Payment Period 2: 8 Semester Hours (25% of academic year)	Direct Cost Payment Period 3: 8 Semester Hours (25% of academic year)	Direct Cost Payment Period 4: 8 Semester Hours (25% of academic year)
Indirect Cost Payment Period 1: 7.5 Weeks (25% of academic year)	Indirect Cost Payment Period 2: 7.5 Weeks (25% of academic year)	Indirect Cost Payment Period 3: 7.5 Weeks (25% of academic year)	Indirect Cost Payment Period 4: 7.5 Weeks (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 the CBE Experiment, 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 the CBE Experiment.

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 the CBE Experiment.**



Reminder!

Under the experiment, 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 the CBE Experiment, 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* below 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 the CBE Experiment, 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	Disbursements for direct and indirect costs

costs made at same time	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 the CBE Experiment.

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
- a student who withdraws 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 the CBE Experiment.

- **Note that 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 the CBE Experiment. Under the experiment, when a student transfers to a new institution, enrolls in a CBE program included in the experiment, 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 the CBE Experiment. Under the experiment, 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"> • Tuition and Fees • Books and supplies 	<ul style="list-style-type: none"> • Room and Board • Transportation, miscellaneous expenses, etc.

In this experiment, “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 experiment.

“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 experiment, 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. The CBE Experiment does not change these provisions, nor does it change the rules for calculating IASG awards.

In most circumstances, because programs included in the CBE experiment 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 the CBE Experiment 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 the CBE Experiment, 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.

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

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

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

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.

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

Example: 4 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 \$3,775 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 the CBE Experiment. 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 the CBE Experiment, 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.**

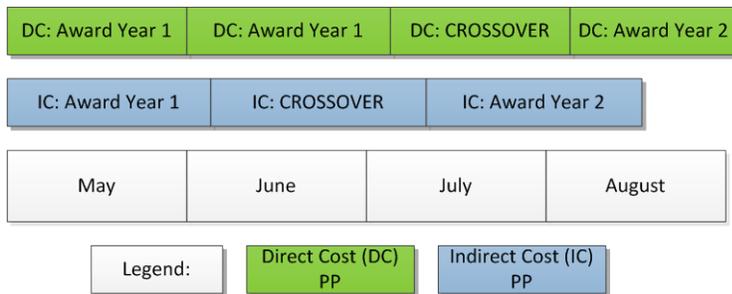
- A direct cost payment period is a crossover payment period if it begins during a crossover indirect cost payment period.

Example:

A student begins an academic program included in the experiment 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 the experiment 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. The CBE Experiment 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. The CBE Experiment 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 experiment. 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 the experiment, 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 the CBE Experiment, the process for calculating TEACH Grant payments is the same as the process for calculating Pell Grants under the experiment, 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 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.

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

Example: 4 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 in the “Packaging” section below.



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 the experiment, 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 Experiment.

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 the experiment, 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 the experiment 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 the CBE Experiment, 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:

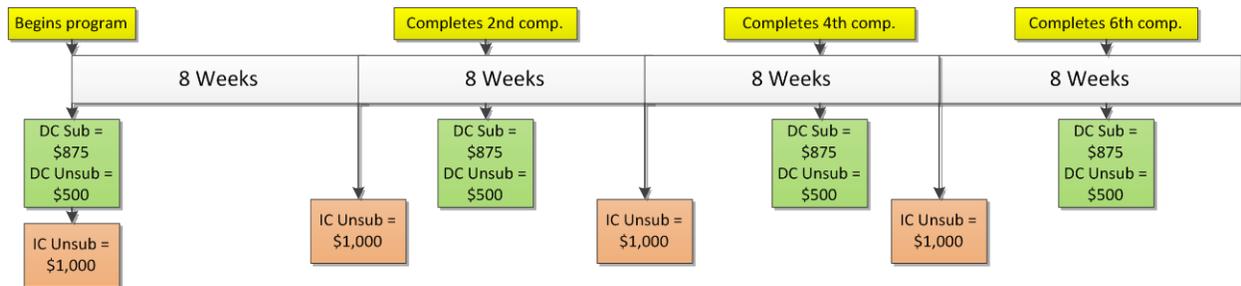
An institution has defined its academic year for a CBE program as 8 competencies, each of which are equivalent to three credit hours, and 32 weeks of instructional time. A first-year, independent student in that program is eligible for a Subsidized Direct Loan of \$3,500 and \$6,000 in Unsubsidized Direct 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.



Annual Loan Limits and Loan Limit Progression

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 the CBE Experiment.

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 the experiment, 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 the CBE Experiment, 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.

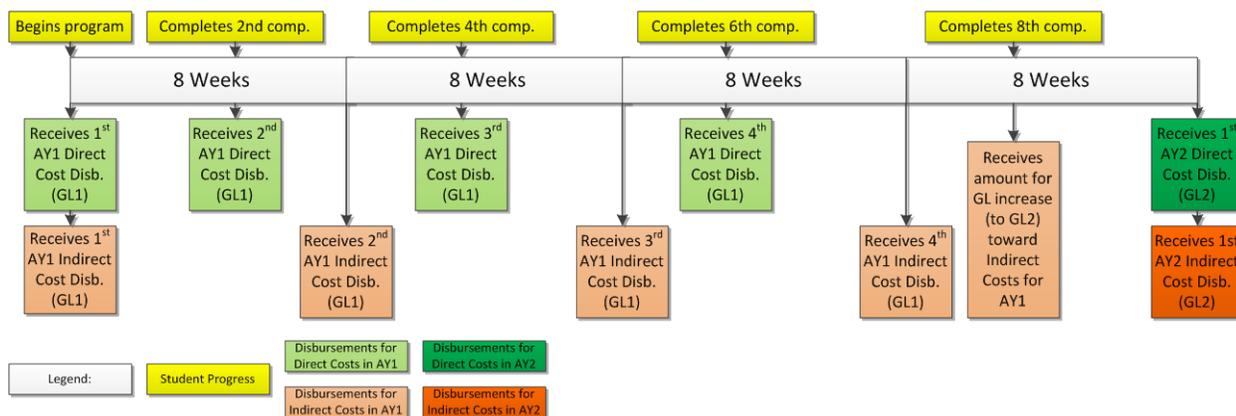
- **Under the CBE Experiment, a borrower may move to a higher grade level when he/she completes the number of credit or clock hours or the equivalent in the program's academic year, regardless of whether the student has completed the weeks of instructional time in the academic year.**

Under the CBE Experiment, 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 the CBE Experiment. Under the experiment, 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:

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

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 the CBE Experiment, when a student transfers to a new institution, enrolls in a CBE program included in the experiment, 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 pages 16-17 above 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 Experiment 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. The CBE Experiment 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.

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

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

Chapter 3, Chapter 6 of the FSA Handbook describes the requirements for

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 the CBE Experiment, the process for calculating FSEOG and Perkins payments is the same as the process for calculating Pell Grants under the experiment, as described under “Calculating Pell and Iraq & Afghanistan Service Grant Awards” above.**
- 1) Determine whether the FSEOG or Perkins award will be used to pay for direct costs only, or for both direct and indirect costs.

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.

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

Example: 4 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 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.

Additional information regarding how to package funds under the CBE Experiment will be described in the “Packaging” section below.

- **Note that under the CBE Experiment, crossover periods for FSEOG and Perkins Loans will function the same way as Pell Grants and TEACH Grants, as described above.**

Awarding Federal Work Study

The CBE Experiment 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 the CBE Experiment 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 the CBE Experiment. These differences are described below:

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 the CBE Experiment, 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 the experiment 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:

<p style="text-align: center;">AY 1: Direct Costs for 24 Semester Hours: \$4,000 Award: Pell = \$4,000</p>	<p style="text-align: center;">AY 2: Direct Costs for 24 Semester Hours: \$4,000 Award: Sub DL = \$3,500, Unsub DL = \$500</p>
<p style="text-align: center;">AY 1: Indirect Costs for 30 Weeks: \$6,000 Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725</p>	<p style="text-align: center;">AY 2: Indirect Costs for 30 Weeks: \$6,000 Award: Unsub DL = \$5,500</p>

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 below under "Treatment of Overawards."

Packaging for Direct and Indirect Costs

In the CBE Experiment, 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.
 - a. 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.
 - b. 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 the CBE Experiment. However, under the experiment, 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 the CBE Experiment, 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/Direct PLUS 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 the CBE Experiment, 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 the CBE Experiment.

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 the CBE Experiment.



Reminder!

Note that under the CBE Experiment, 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 the CBE Experiment, 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 the CBE Experiment, 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:

(1) the institution 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) the institution 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 the CBE Experiment, 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 the CBE Experiment, 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 the CBE Experiment.



Reminder!

Books and supplies are considered direct costs under the CBE Experiment. 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 the CBE Experiment. See below under “Withdrawals and the Return of Title IV Funds” for additional information about the application of the late disbursement rules in the CBE Experiment.

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 the CBE Experiment.

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 the experiment, 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 the CBE Experiment, 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 the CBE Experiment.

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"> Because payment periods are shorter and disbursements are smaller, R2T4 calculations are not required for students who begin attendance Institutions must pay grant funds and/or notify students of loan funds that could have been disbursed as of the withdrawal date

Given these waivers, **under the CBE Experiment, 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 the CBE Experiment 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 the CBE Experiment, 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**
- **for 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 Experiment

The modified rules and requirements described above provide an overview for the experimental 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 below:

Academic Year Progression in the CBE Experiment, by Title IV Program			
		Student's Rate of Progress	
		Student Completes Hours Before Weeks	Student Completes Weeks Before Hours
Title IV, HEA Program	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.

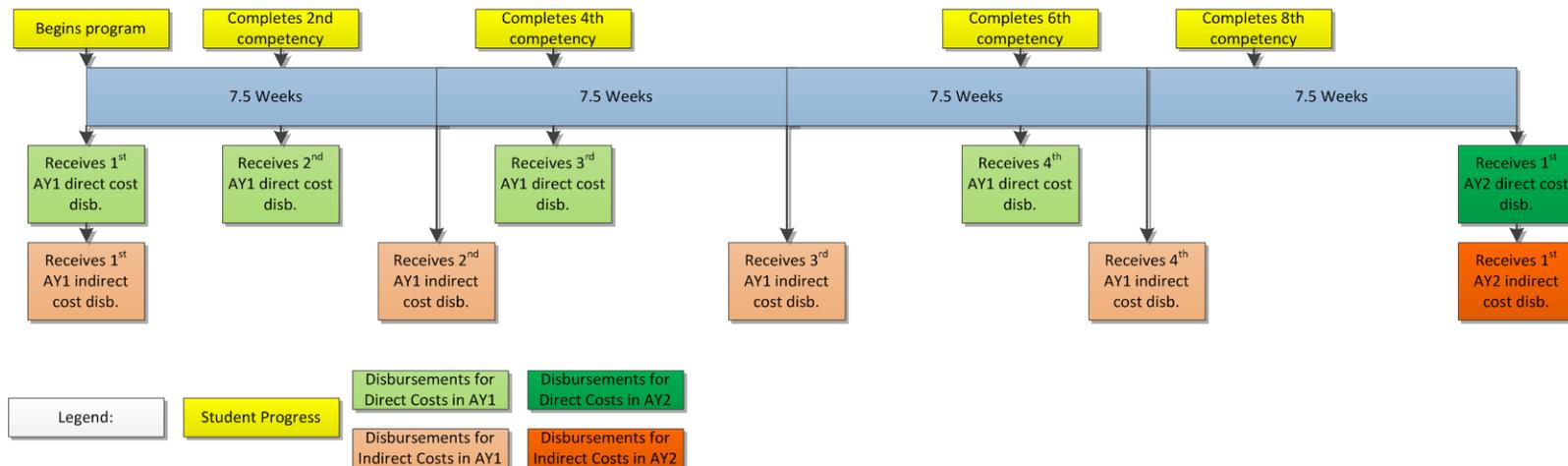
Disbursement Progression Example: Student Accelerating Through Program - 1st Academic Year

In the following example, we provide a visual aid to describe how aid disbursement under the experiment 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 the CBE Experiment.

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.

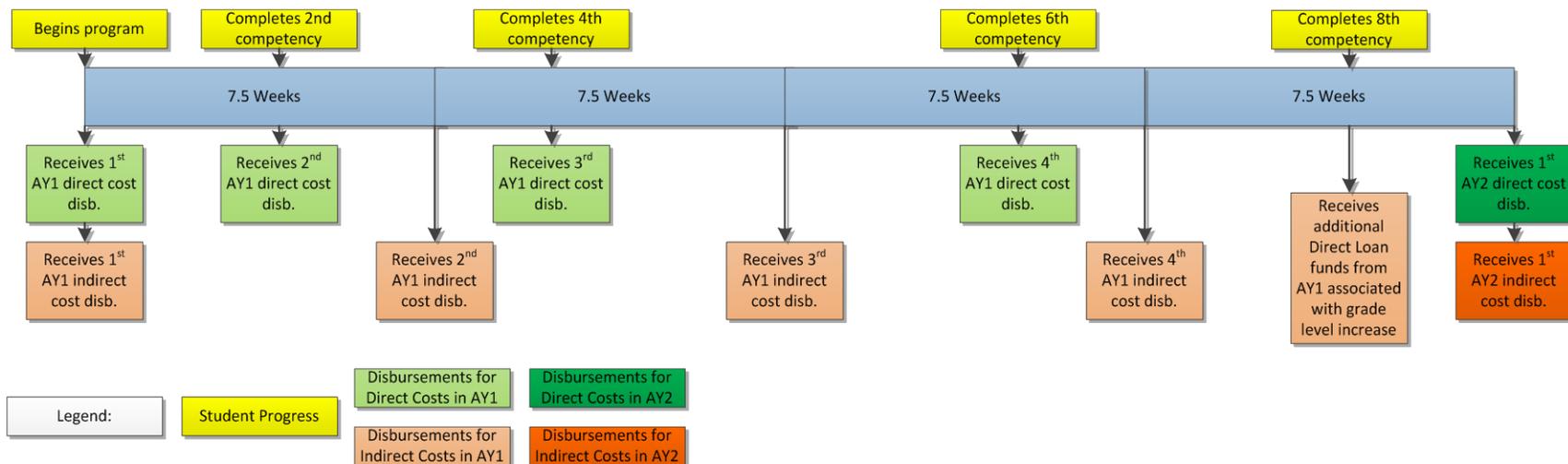
First, the school packages the student with Federal student aid for the academic year. The aid will be absorbed by direct costs first, and then by indirect costs. Direct costs will be disbursed in four equal disbursements each time the student completes 2 competencies, which is 25% of the competencies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



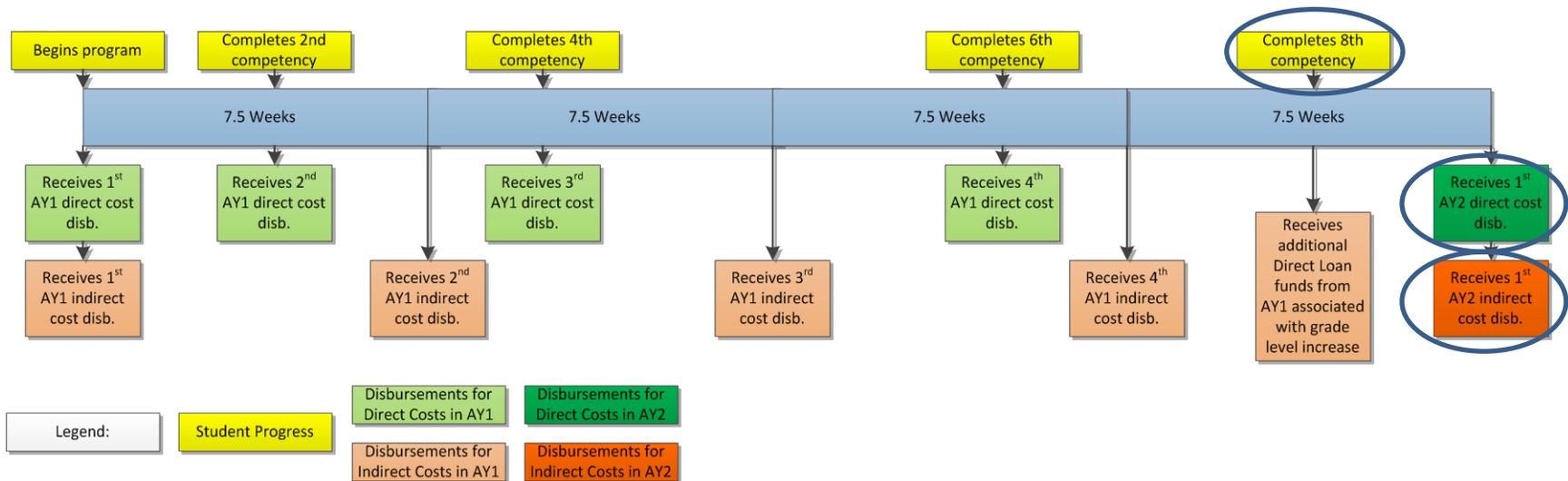
Disbursement Progression Example: Student Accelerating Through Program - 1st Academic Year

- 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 experiment, 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.

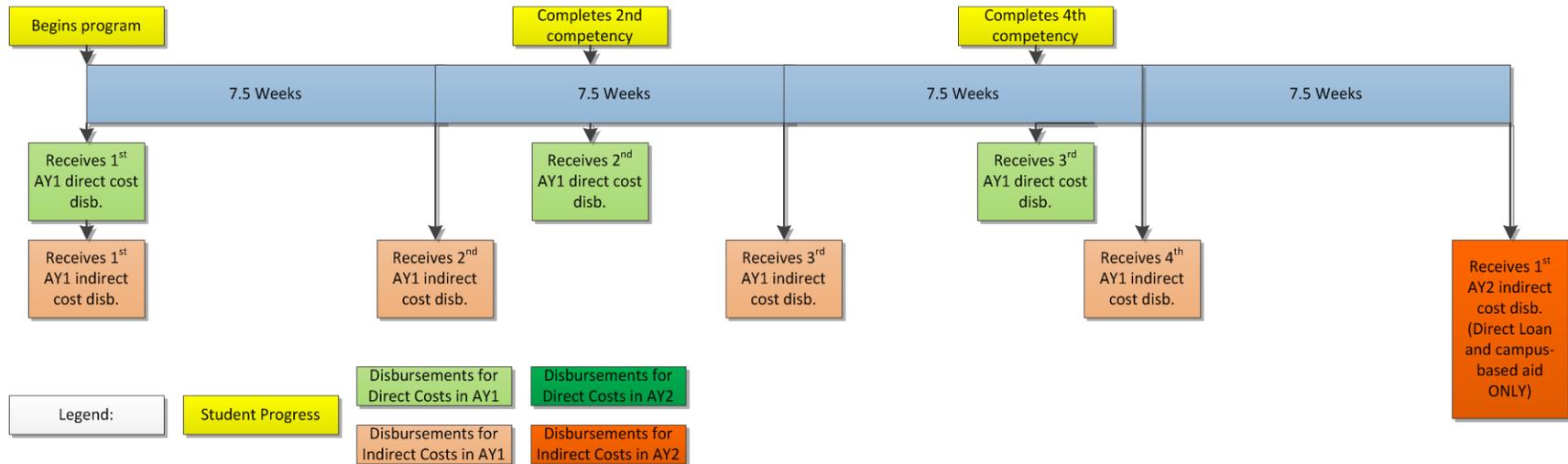


Disbursement Progression Example: Student Moving Slowly Through Program – 1st Academic Year

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 experiment.
- When the student finishes his first 7.5 weeks, he will receive a new disbursement for indirect costs under the experiment.
- 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.

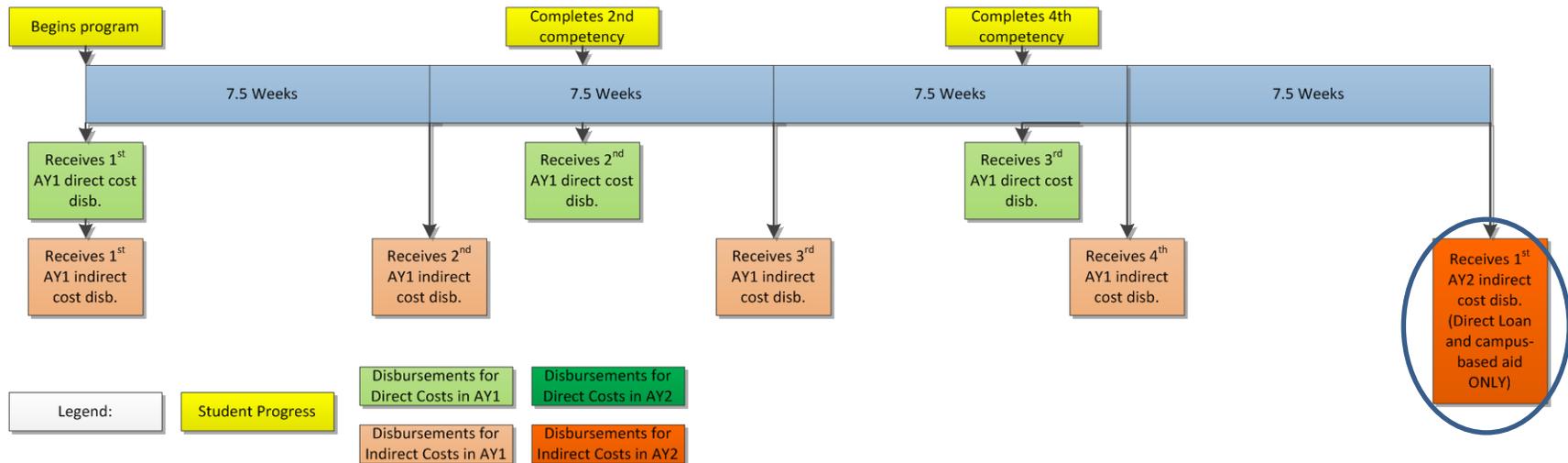


Disbursement Progression Example: Student Moving Slowly Through Program – Transition to 2nd Academic Year

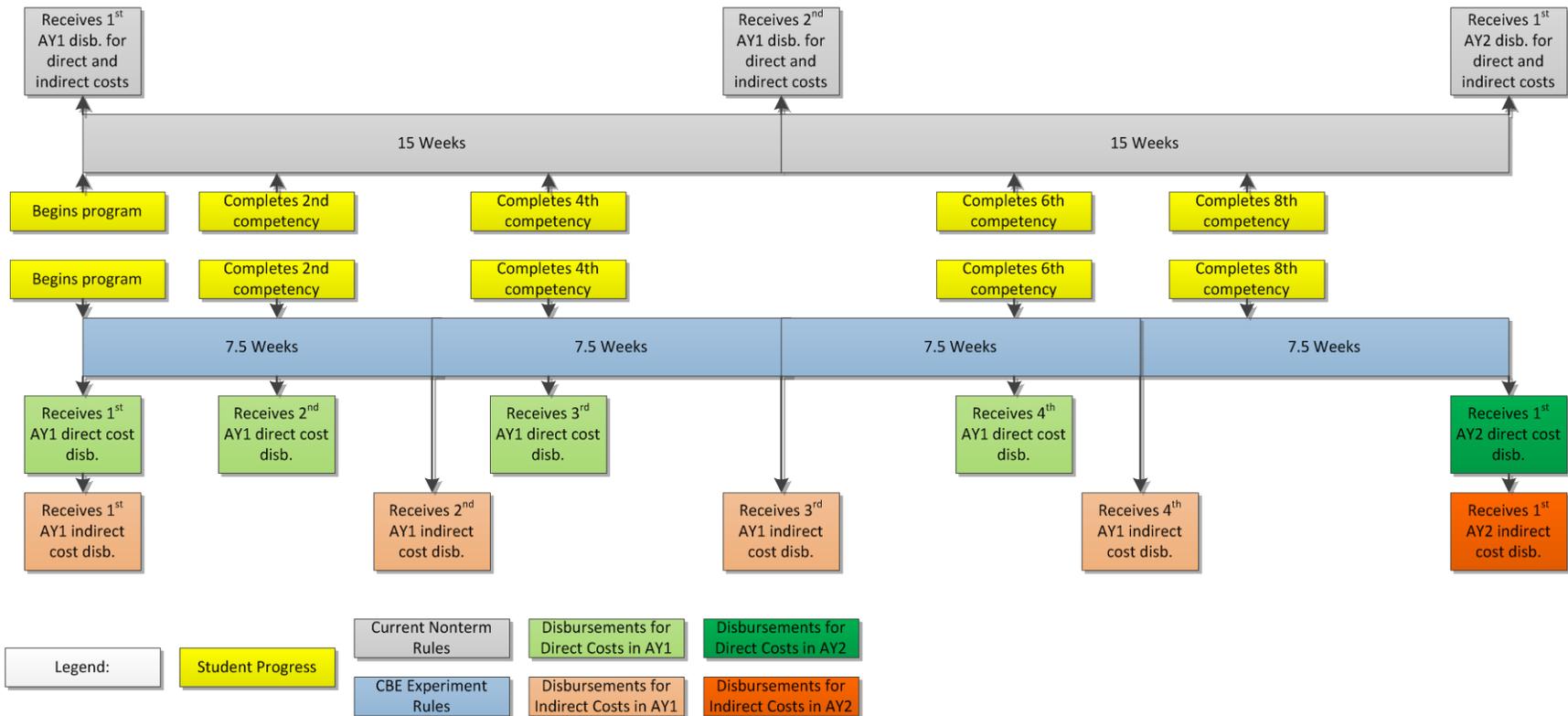
- The student doesn't complete his next two competencies until after the end of 30 weeks. But under the experiment, the student can continue to receive disbursements from the 2nd academic year for indirect costs to support his living expenses.
- REMEMBER: The institution can package the student with 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.

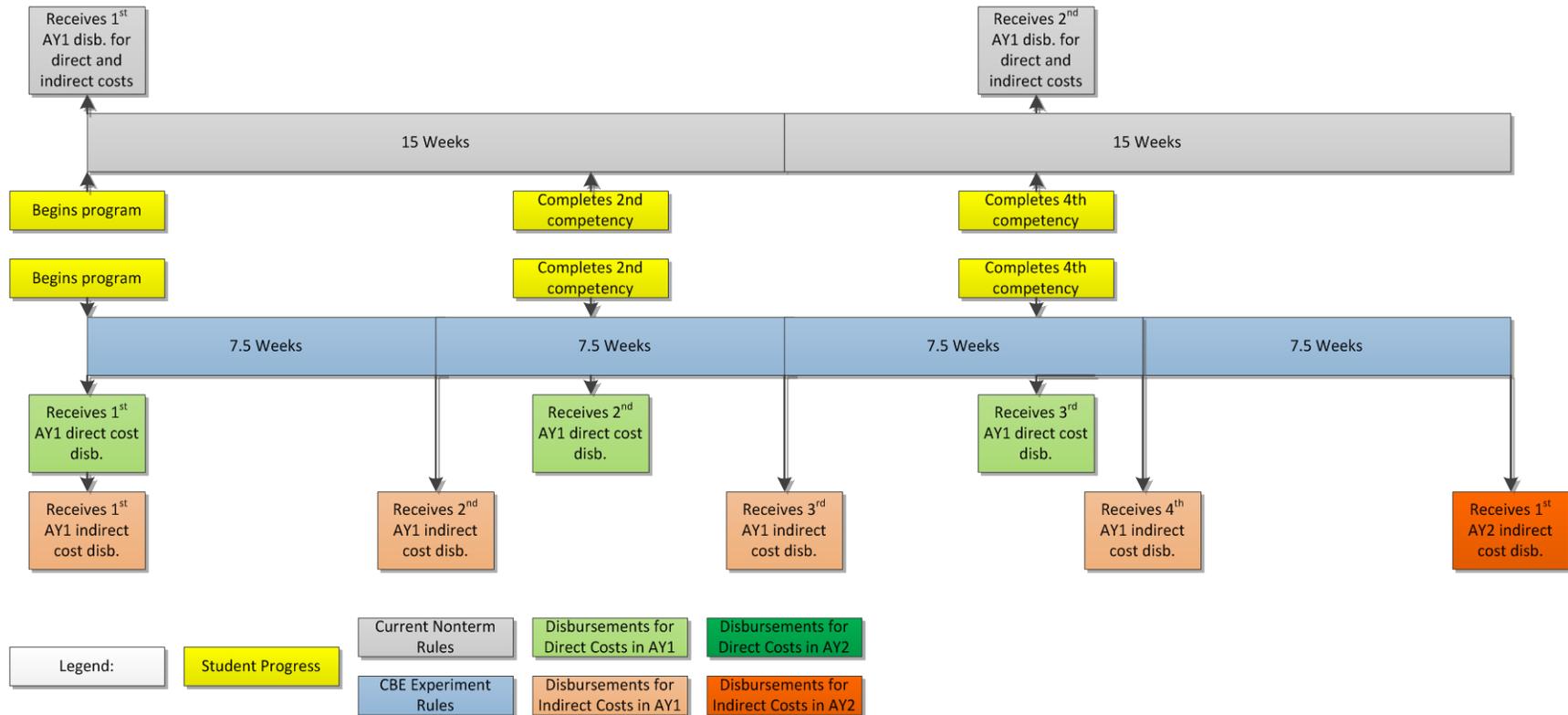
Note that even though this student is permitted to keep receiving disbursements for indirect costs for now, the institution would still need to conduct a SAP evaluation at the 30th week to ensure that the student was on pace to complete the program within 150% of the published length. If not, the student 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



Resources



References & Resources
[July 31, 2014 Federal Register](#)

Section 4: Reporting & Evaluation

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 program 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.

Additional information on reporting is provided below.

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 15, 2015](#) announcing the availability of the 2015-16 ISIR Analysis Tool. To gain 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 15, 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 SAIG Enrollment Web site 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.

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 2015-16 ISIR Analysis Tool](#)

[Electronic Announcement for the Demo Site](#)