OCTOBER 2024 NEWSLETTER

IMPORTANT DATES:

October 1
Annual Security and Fire Safety Reports Due
FISAP Due

October 4
CDR Appeals Open

October 14
Columbus Day
Federal Offices Closed

October 16
Happy National Financial Aid Day!

October 31
Halloween

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As we enter the fall season, I can't help reflect on the tumultuous ride the past several months have been for the partners in the higher education industry. The rollout of the 24/25 FAFSA and overhaul of FSA systems resulting from the FAFSA Simplification Act have continued to impact 24/25 processing as FSA provides updated communication of delayed system availabilities and functionality. In conjunction, regulatory changes toggle between implementation, court injunctions and looming deadlines amidst erroneous data discovery. As a third party servicer, our commitment lies with our partner institutions. As a result, you may have noticed months missed without DJA's routine monthly newsletter publication. I apologize for the delayed release as we pride ourselves as an industry resource; however, we have had to allocate our Compliance Team to customer support to meet the increased needs.

This edition of our newsletter will capture upcoming regulatory deadlines, as well as provide a review of important topics within the higher education industry. Specifically, we will review the delay for the reporting deadline under the Financial Value Transparency and Gainful Employment regulatory requirements and provide insight into the ongoing challenges with the 24/25 ISIRs and FSA Systems. Historically, October 1st marks the release of the upcoming award year's FAFSA. However, the 25/26 FAFSA will be released in beta stages until it's widespread release by December 1st. We summarize the implementation stages anticipated for 25/26 to ensure your institution is well prepared for the upcoming award year.

Additionally, October is also Cybersecurity Awareness Month, so we have dedicated our Compliance Corner to providing valuable tips and tools your organization can utilize to protect against cybersecurity threats and promote good cybersecurity hygiene. Additionally, we review steps to take to strengthen your institution against a ransomware attack.

Best wishes,
Renee Ford, Vice President

ACCREDITED IN PEACE OF MIND

IN THE NEWS: UPDATED TIMELINE FOR FVT/GE REPORTING AND COMPLETERS LIST

While we anticipated October 1st as the deadline to report under the Financial Value Transparency and Gainful Employment regulations, the Department of Education provided a much-needed reprieve came in the form of a delayed reporting deadline. In an Electronic Announcement (EA) published on September 13th, FSA confirmed that after receiving much feedback from institutions and stakeholders alike, the deadline for Student and Program reporting, as well as reviewing the previously released Draft Completer's List would be pushed back to January 15, 2025. The news was rather expected, after an August 30th update to two previously published FVT/GE announcements cited the discovery that FSA had identified new issues with the Draft Completers Lists and the FVT/GE reports available in NSLDS. At the time, the guidance indicated that institutions should pause review of the Completer Lists and any use of the FVT/GE reports as they work to resolve the issues. Following the August release, the FVT/GE reports in NSLDS providing program summary and student detail information were removed from NSLDS. DJA has confirmed the reports remain inaccessible through the NSLDS Professional Access site.

Alongside the announcement of the deadline pushback, ED recognized that some schools may be interested in reporting their information earlier. The EA cites a forthcoming announcement that will provide an opt-in opportunity for a limited number of schools to submit their reporting this fall. At the time of this publication, there has not been an update on this opportunity. However, ED does share that if your institution previously submitted your FVT/GE Student or Program reporting, you are not automatically included in this early process unless you have affirmed your interest.

While the deadline will allow many institutions more time to prepare for the FVT/GE reporting, we advise schools to continue assigning resources to this regulatory requirement. With the anticipated release of the 25/26 FAFSA deploying December 1st and the end of the 2024 calendar year, many financial aid offices may find themselves directed elsewhere and a last-minute scramble to gather reporting data could negatively impact the accuracy of your FVT/GE submissions.

In the most recent FSA Wednesday Webinar, the Department provided a Federal Update including a review of the FVT/GE regulations, available resources, reporting methods and reporting period selections. The slide handouts and recording for the September 25th webinar are available on the FSA Training website under Recording Webinars and Training. Our DJA Compliance Team attended the session and has provided a quick summary below:

Measures

- Debt-to-Earnings
- Earnings Premium
- Performance benchmarks

Financial Value Transparency (FVT)

- Covers all *Title IV* eligible programs
- Tracks/compare costs and outcomes on ED website

Gainful Employment (GE)

- Defines program eligibility
- Makes ineligible if fails two of three consecutive periods

Requirements

- Student and program-level information
- Private and institutional loan debt
- Certain institutional charges

Deadline

- January 15, 2025

Standard reporting period

- Most recently completed award year (23/24) and
- 2nd- 7th award years prior to 7/1/24
- 2nd- 8th award years prior to 7/1/24 for qualifying grad programs

OR

Transitional Reporting

- Two most recently completed award years

Reporting Methods

- Batch File
- Spreadsheet submittal

New NSLDS Reports

- FVT/GE Program Enrollment Detail Report (SHDPE1)
- FVT/GE Program Enrollment Summary Report (SHSPE1)
- FVT/GE Students with No Program Enrollment Report (SHNPE1)

Resources

- FSA Training: How to Report FVT/GE Data to NSLDS Live Webinar
- NSLDS FVT/GE User Guide
- DCL GEN 24-04
- EA GE-24-07
- DCL GE-24-06
- DCL GE-24-04
- FVT/GE FAQ's
  - FSA most recently updated the FAQ's on September 5th by adding 5 new questions and answers to the reporting section.

Sources:
GE-24-08

FY 2021 OFFICIAL COHORT DEFAULT RATES RELEASED AND THE NATIONAL DEFAULT RATE BRIEFING

On September 23,2024, ED distributed the FY 2021 official cohort default rate (CDR) notification packages and accompanying documentation via the Student Aid Internet Gateway (SAIG) to all eligible schools. Institution's will NOT receive a FY 2021 Official CDR notification page if the school did not have a borrower in repayment, during the current or any of the past cohort default rate periods. Additionally, schools not enrolled in eCDR will not receive an eCDR notification package. Schools may download their cohort default rate and accompanying Loan Record Detail Reports from the National Student Loan Data System (NSLDS®) via the NSLDS Professional Access website. The period for appealing the FY 2021 official CDR under 34 C.F.R Part 668, Subpart N began on Friday, Oct. 4, 2024, for all schools. Also on Friday, October 4th, FSA released an update to the EA announcing the publication of the CDR's. In the update, they identify issues with the CDR notification packages causing schools to receive multiple cover letters. If your school received multiple cover letters (SHDRLROP), one having the correct rate and one with a blank rate, you are advised to ignore the blank letter as it was produced in error. Additionally, some schools received multiple Loan Record Detail Reports because the school has less than 30 borrowers entering repayment within the FY 2021 Cohort Fiscal Year. This functionality is expected as NSLDS includes the two previous years (FY 2020, FY 2019) due to a low number of borrowers entering repayment.

The National Default Rate Briefing for the FY 2021 official cohort default rates was provided on September 25, 2024. As expected, FY 2021 cohort default rates were significantly impacted by the pause on federal student loan payments that began March 13, 2020, and ended on Sept. 30, 2023. During the pause, borrowers with ED-held student loans were not required to make any payments, and no borrowers with ED-held loans entered default. Fewer than 200 borrowers with non-ED-held FFEL loans entered default because those loans were not eligible for the payment pause.

Some schools have a small number of student loan borrowers entering repayment. At other schools, only a small portion of the student body takes out student loans. In such cases, the cohort default rate should be interpreted with caution. For the PDF briefing, visit the electronic announcement linked below.

Sources:
Electronic Announcement: FY 2021 Official Cohort Default Rates Released
Electronic Announcement: National Briefing on the FY 2021 CDR

ADDITIONAL 24/25 ISIR REPROCESSING AND SYSTEM ISSUES

Along with the delayed release of the 24/25 ISIR, there have been several issues identified which required reprocessing of the application and a subsequent reprocessed ISIR to be generated. For a complete summary of historical ISIR reprocessing issues, visit EA GENERAL-24-67, which includes a comprehensive description of the reprocessed reason codes.

Most recently, FSA published a separate Electronic Announcement announcing the identification of two new issues that will substantiate the reprocessing of the 24/25 ISIRs. The EA does not provide when the reprocessing will occur, but instead describes the issues recently discovered. The first issue involves conflicting information that is created when Federal Tax Information (FTI) and Manual Input are present on the same ISIR and was previously announced in a June 17, 2024 electronic announcement (GENERAL-24-71). The initial EA identifying this issue advised schools to correct the error by manually inputting the FTI from the ISIR into the Manul Tax section and utilizing the professional judgment flag for a correction on the FAFSA Partner Portal. **However,** an update to the EA on July 24th removed that guidance and instead required schools to collect appropriate documentation (tax returns and/or W-2's) prior to submitting the correction to ensure accuracy of data. The fun continued with another update provided on August 1st as many schools inquired of what to do for the records, they processed corrections on under the retired June 17th guidance. The subsequent update instructed schools to review previous corrections and contact students to request the required documentation and make any necessary corrections. This most recent EA indicating reprocessing will now occur on these records indicates a permanent fix and at that time schools will no longer need to request supporting tax documentation to manually correct the conflicting financial information. While institutions may opt to wait for the Department to complete the reprocessing of impacted records, institutions that choose to proceed with awarding and disbursing aid before impacted records are reprocessed are reminded that they must still resolve conflicting information on these records, following the guidance published in GEN-24-71, prior to disbursing aid during the interim period.

The second issue occurs when assets for the student (or their contributors) are both collected by the *FAFSA* form and subsequently used in the SAI calculation even when they meet criteria under the law for an exemption from reporting assets. Please see *Appendix E: Applicants or Contributors Required to Provide Assets* of the 2024-25 Student Aid Index (SAI) and Pell Grant Eligibility Guide for additional information about when assets are required to be used in the SAI calculation. As an interim solution, schools that have identified impacted records may set the professional judgment flag and correct the assets reported to "0." Additional details of the issue have been added to the Technical Frequently Asked Questions and Known Issues document. The EA goes on to remind institutions of the ability to wait for the Department to reprocess impacted records. However, institutions that choose to proceed with awarding and disbursing aid before impacted records are reprocessed must use the subsequent reprocessed record if it results in greater eligibility for the student.

Sources:
Electronic Announcement: Reprocessing of 24.25 Records

GUIDANCE FOR TITLE IV PARTICIPANTS AFFECTED BY TROPICAL STORM HELENE OR HURRICANE HELENE AND CAMPUS-BASED FUNDS FOR THOSE AFFECTED BY HURRICAN BERYL, DEBBIE AND FRANCINE

The Department of Education has provided a couple of updates for Institutions of Higher Education affected by the recent hurricanes that have hit the coastal areas of the US and further inland by the most recent Tropical Storm Helene.

In an EA released in late September, ED indicated that remaining supplemental FSEOG funds for the 24/24 Award Year would be reallocated to schools located in areas that have been directly affected by recent severe storms or disaster events and had eligibility for supplemental funding. Typically, schools are only able to receive FSEOG funding up to the amount requested on the Fiscal Operations Report for 2022–23 and Application to Participate for 2024–25 (FISAP). The purpose of the FSEOG program is to provide grant funding to assist qualified students who demonstrate financial need. In the announcement, ED encourage schools to award FSEOG funds to needy students, particularly those who are affected by hurricanes Beryl, Debby, and Francine. Schools receiving supplemental funding were notified by email. In the email, schools were referred to their Statement of Account on the COD website, as it reflects the supplemental award amount for each program.

Just this week, a second EA was released providing specific guidance to Title IV participants affected by Tropical Storm Helene or Hurricane Helene in areas that had been officially recognized and declared as a disaster by the President of the United States. This declaration is made under the authority of the *Stafford Act*, which empowers the federal government to provide assistance in times of major disasters or emergencies. The Department went on to remind institutions that are located in federally declared disaster areas of the regulatory reliefs provided to them in Dear Colleague Letter GEN-17-08: Guidance for helping *Title IV* participants affected by a major disaster. This Dear Colleague Letter includes guidance on the following areas of *Title IV* administration during a disaster:

- Changes to an institution's academic calendar due to a disaster;
- Exclusion from treatment as "other financial assistance" of aid received by victims of a disaster from a federal or state entity for the purpose of providing financial relief;
- Verification requirements for families whose verification records were lost or destroyed because of a disaster;
- Allowances for leaves of absence for students affected by a disaster;
- Waivers for under-allocation of Campus-Based aid and Federal Work Study community service for disaster-affected schools;
- Reporting enrollment status during a disaster; and
- Effects on Direct Loan or Federal Family Education Loan Program (FFELP) borrowers affected by a disaster.

To determine if your institution is located in a federally declared disaster area, due to Tropical Storm Helene or Hurricane Helene, please visit Disasters and Other Declarations | FEMA.gov.

Additionally, the EA provides a reminder to institutions of the recently passed deadline to actively distribute their 2024 Annual Security Reports (ASRs) and Annual Fire Safety Reports (AFSRs). Under the Clery Act, these reports must be provided to all enrolled students and current employees. Notwithstanding this general rule, ED goes on to recognize that many institutions have been adversely impacted by Tropical Storm Helene or Hurricane Helene and have had to suspend or modify operations as a result. As a result, they will take these circumstances into account for institutions located in federally declared disaster areas that distribute their ASRs and AFSRs after the deadline. Institutions are advised to issue their ASRs and AFSRs as soon as possible, and in all cases, prior to the resumption of in-person instruction and regular campus operations. Institutions are also reminded to manage the reopening process in accordance with their emergency operation plans and to provide regular safety updates to campus community members to ensure they can remain informed about safety concerns and emergency conditions.

Also under the Clery Act, institutions were reminded in the EA, that the 2024 Campus Safety and Security Data Collection and Survey is in progress and will remain open through October 16, 2024. Generally, institutions are required to complete this process by the closure date. However, institutions in a federally declared disaster area that are unable to submit their response by the closure date due to the storms are advised to contact the Campus Safety Help Desk. The Help Desk can be reached by phone at 1-800-435-5985 or by email at campussafetyhelp@westat.com to seek guidance on meeting this important disclosure requirement.

Though the October 1st deadline to file the Fiscal Operations Report and Application to Participate (FISAP) deadline has passed, institutions located in a federally declared disaster area due to Tropical Storm Helene or Hurricane Helene have been provided an extension of the FISAP deadline through December 13, 2024. The Department encourages FISAP submission as soon as possible and prior to December 13, 2024, as feasible; however, no penalties will be imposed on impacted institutions that submit their FISAP anytime through December 13, 2024. Please see Electronic Announcement CB 24-18: Reminder – FISAP Due Oct. 1, 2024 (Updated Sept. 27, 2024) for more information.

LAUNCH OF 25/26 FAFSA BETA AND TIMELINE FOR 25/26 FAFSA PROCESSING

In an August 7th EA, FSA shared the Department's announcement of the release of the 25/26 FAFSA form and ISIR processing would begin on October 1st for testing with a limited set of students and institutions. The same publication provides that ED will make the application available to all students on or before December 1, 2024. sing this approach, the Department will launch full functionality, including submission, processing, and corrections at the same time.

During the testing period, the Department will make the form available to an increasing number of participants, starting with hundreds and expanding to tens of thousands of applicants. This process will allow the Department to test and resolve issues before making the form available to all students and contributors The Department will provide additional information on participating in the 2025-26 FAFSA form testing in the coming weeks. This approach was developed after the Department provided opportunities for thousands of students, institutions and other stakeholders to share their feedback and recommendations for a more successful 25/26 FAFSA release. Through these conversations, the general consensus pushed for greater transparency and certainty in the development process and that the ability to submit, process and correct FAFSAs be released at the same time.

Following that announcement, ED provided application opportunities for the Beta 1 and Beta 2 testing groups. For Beta 1, the Department indicated they would between two and six community-based organizations; the final number selected being dependent on the number of students each organization estimates it can recruit for Beta 1. IHEs that want to participate in Beta 1 were encouraged to partner with a CBO. There will be an opportunity for IHEs to participate independently in upcoming beta periods. Just recently, FSA confirmed that a small number of students across six colleges access community-based organizations (CBOs), would be accessing the 25/26 on October 1st and subsequent ISIR transactions would be produced. Because students participating in the FAFSA beta will be filling out their real FAFSA form, and because they can include up to twenty institutions' school codes on the form, **any institution and any state agency may start receiving a small number of ISIRs via the FTI-Student Aid Internet Gateway beginning the week of October 1st.** There is no need to do anything with these ISIRs right now.

ED reminds community partners, as with any beta test, institutions and agencies that download ISIRs should expect to encounter system issues that may cause challenges or delays. In particular, **issues that currently arise in processing 2024–25 FAFSA forms are very likely to appear in 2025–26 FAFSA forms**. However, ED will prioritize resolution of issues during each of the beta periods, leading up to the public release of the 2025–26

FAFSA form on or before Dec. 1. During each beta period, FSA is especially interested in learning about any issues with ISIRs that users encounter. As a best practice, if you encounter an issue, you should report it both to your software vendor (if applicable) and to the FPS Help Desk. This will help determine if the issue is related to your software or to ISIR processing. FSA is committed to sharing information about FAFSA beta broadly with all stakeholders. Visit FSApartners.ed.gov/beta for regular updates.

The number of ISIRs that institutions and agencies receive will grow throughout October and November. We expect hundreds of students to participate in Beta 1 (beginning today), thousands in Beta 2 (beginning mid-October), and tens of thousands in Betas 3 and 4 (early and mid-November). The application for Beta 2 closed nearing the end of September.

In addition to providing beta periods to test the release of the 25/26 FAFSA, ED has also provided important resources to support the financial aid community and students, as well as families in preparing for the 25/26 FAFSA Cycle. These include:

- Revised *Federal Student Aid Estimator* provides an estimate of the 2025-26 Student Aid Index (SAI) and federal Pell Grant eligibility calculation.
- Updated resources to support creating a studentaid.gov account including a new stand-alone 'parent wizard' or contributor tool to help students and families determine who will need to provide contributor information on the 2025-26 FAFSA prior to starting the form.
- An updated 2025–26 FAFSA prototype (Access code: prototype2526) which provides the financial aid community an advance opportunity to gain a deeper understanding of the FAFSA user experience ahead of its release.

If you have questions about the beta release or future interest in being a part of this testing rollout, you are encouraged to contact betainterest@ed.gov.

DOCUMENTATION REQUIREMENTS FOR MANDATORY AND DISCRETIONARY TRIGGER REPROTING UNDER FINANCIAL RESPONSIBILITY

On October 31, 2023, the Department published a final rule in the *Federal Register* [88 FR 74568] amending the regulations related to financial responsibility pertaining to the student financial assistance programs under *Title IV* of the *Higher Education Act of 1965*, as amended (*Title IV*, HEA programs). On June 27, 2024, an EA GENERAL-24-80 was published, providing guidance on how to report the mandatory and discretionary triggers under financial responsibility. A recent EA released on September 17, 2024 provides information on the suggested documentation that institutions may provide to fulfill the reporting requirements that went into effect on July 1, 2024. Institutions may be required to provide additional information upon request by the Department regarding financial responsibility triggers. Regulatory authority to examine program and fiscal records may be found at 34 C.F.R. § 668.24.

Institutions are required to report triggers for conditions that exist as of July 1, 2024, regardless of when the circumstance first occurred. For example, if an institution first declared financial exigency in September 2023, but remains in that condition as of July 1, 2024, the institution must report that condition to the Department. The Department will treat triggers that would otherwise be mandatory as discretionary triggers under 34 CFR 668.171(d)(14) if the relevant circumstance began prior to July 1, 2024 and is still in effect, and will determine on a case-by-case basis whether in those circumstances the institution is able to meet its financial or administrative obligations. For example, a school that declared financial exigency on April 1, 2024 and is still in a state of financial exigency as of the date of this publication, would be required to report that trigger to the Department. However, the Department will treat that trigger as discretionary, rather than mandatory, and consider whether financial protection and other protections may be required.

ED clarified in this September announcement that institutions must report triggers that first began prior to July 1, 2024, but that were still in effect as of July 1. Institutions have 21 days from the date of this 9/24 announcement to report such triggers. We have included the verbiage within the EA to ensure you are aware of the updated regulations and the acceptable documentation.

Mandatory Triggers

*Mandatory triggers (***668.171(c)***)* are certain external events – financial circumstances and events that are not yet reported in the institution's audited financial statements, but may be reported in a future annual submission. The mandatory triggers also include events that may never be reported in the audited financial statements. The following is a list of mandatory triggers for which reporting is required. This is a non-exhaustive list of documents which should be provided to the Department when the institution reports the triggering event or circumstances.

Schools should notify the Department once the circumstance that caused the trigger has been resolved. The Department will work with the school to determine the appropriate documentation to submit to confirm that the trigger has been resolved.

Legal and Administrative Actions

This trigger encompasses four different subsections (A)-(D).

Final Monetary Judgment, Award, or Settlement **668.171(c)(2)(i)(A)** - suggested documentation (whether the settlement or award has been paid is not relevant):

- A copy of the final judgment or award, including an award in arbitration;
- A copy of the settlement agreement;
- Proof of acceptance by an insurance carrier of coverage for the full or partial amount of the judgment, award or settlement.

Federal or State Authority or Qui Tam Action **668.171(c)(2)(i)(B)** - suggested documentation:

- A copy of the complaint or action by a Federal or State authority to impose an injunction, establish fines or penalties, or to obtain financial relief;
- A copy of a qui tam action in which the United States has intervened;
- Proof of acceptance by an insurance carrier of coverage for the full or partial amount of the judgment, award or settlement.

Borrower Defense Recovery **668.171(c)(2)(i)(C)** - the Department tracks these actions and no notification documentation from the institution is necessary.

Final Monetary Judgment or Settlement with Change in Ownership **668.171(c)(2)(i)(D)** - suggested documentation (whether the judgment, award, settlement, or monetary determination has been paid is not relevant):

- A copy of the final monetary judgment or award, including in an arbitration or an administrative proceeding;
- A copy of the settlement agreement;
- Proof of acceptance by an insurance carrier of coverage for the full or partial amount of the judgment, award or settlement.

Withdrawal of Owner's Equity

Suggested documentation for **668.171(c)(2)(ii)**:

- Notice of a declaration of a dividend;
- Evidence of payment of a dividend or other withdrawal of equity.

Gainful Employment

Suggested documentation for **668.171(c)(2)(iii)**:

- Institutions will not need to separately report to the Department for this trigger.
- Information on implementing this mandatory trigger is described in Electronic Announcement GENERAL-24-74.

Institutional Teach-Out Plans or Agreements

Suggested documentation for **668.171(c)(2)(iv)**:

- Notification from the institution's accrediting agency or other oversight body;
- The institution's response to the requirement, if anything other than full compliance;
- A copy of the teach-out plan;
- A copy of any teach-out agreement(s).

Publicly Listed Entities

Suggested documentation for 668.171(c)(2)(vi):

- SEC revocation or suspension action;
- Complaint or petition filed by the SEC in federal court;
- SEC order instituting proceeding pursuant to section 12(j) of the Exchange Act;
- Exchange notification of noncompliance;
- Exchange notification of delisting;
- Notification from the entity acknowledging that it failed to file a required annual or quarterly report;
- Notification from the SEC relating to a failure to file a required annual or quarterly report;
- Notification from a foreign exchange or oversight authority similar to the above.

Non-Federal Education Assistance Funds

668.171(c)(2)(vii) - 90/10 reporting is described in 34 CFR 668.28(c)(4). Institutions will not need to separately report to the Department for this mandatory trigger.

Cohort Default Rates

668.171(c)(2)(viii) - Institutions will not need to separately report to the Department for this mandatory trigger.

Contributions and Distributions

Suggested documentation for **668.171(c)(2)(x)**:

- Detailed general ledger printout that shows all contributions and distributions made in the last quarter of the last fiscal year and first two quarters in the current fiscal year, and each time a distribution was made in the current year.

Financing Arrangement Where the Institution or Entity *is* Subject to Default or Other Adverse Condition Based on Action Taken by the Department

Suggested documentation for **668.171(c)(2)(xi)**:

- Line of credit, loan agreement, security agreement, or other financing agreement which subjects the institution or default or other adverse action based on Department action. For additional information, please see Financial Responsibility Regulations - Questions and Answers (ed.gov) question FR-Q21.

Declaration of Financial Exigency

Suggested documentation for **668.171(c)(2)(xii)**:

- Notification that the institution declared a state of financial exigency to a Federal, State, Tribal, or foreign governmental agency or its accrediting agency.
- Any additional correspondence with the Federal, State, Tribal or foreign governmental agency or its accrediting agency.

Receivership (or Equivalent Status Under Foreign Law)

Suggested documentation for **668.171(c)(2)(xiii)**:

- The petition instituting the receivership or similar proceeding;
- Order appointing the receiver or similar official under foreign law;

Discretionary Triggers

The discretionary triggers at 34 CFR 668.171(d) reflect the set of conditions that may, at the discretion of the Department, require an institution to post financial protection. These *discretionary triggers* are external events or financial circumstances that may not appear in the institution's annual financial statements and are not yet reflected in the institution's calculated composite score. The following is a summary of suggested items for institutions to report to the Department for each discretionary trigger if the institution meets the criteria for the trigger.

Accrediting Agency and Governmental Agency Action

Suggested documentation for **668.171(d)(1)**:

- Accrediting agency documents demonstrating probation, show-cause, or comparable statuses;
- Federal, State, local, or Tribal authority documents demonstrating probation, show-cause, or comparable statuses;
- Any correspondence with the accrediting agency relating to the probation, show-cause, or comparable statutes;
- Any correspondence with Federal, State, local or Tribal authority relating to the probation, show-cause or comparable statutes.

Other Defaults, Delinquencies, Creditor Events, and Judgments

This trigger encompasses five different romanettes (i)-(v) from **668.171(d)(2)**.

Default or Other Adverse Condition in a Financing Agreement 668.171(d)(2)(i) - suggested documentation:

- Copy of the line of credit, loan agreement, security agreement, or other financing agreement containing the default or adverse condition

Default, Delinquency, or Other Event Occurs that Allows Change in Financing Terms 668.171(d)(2)(ii) - suggested documentation:

- Copies of notices and/or correspondence from the creditor imposing an increase in collateral, a change in contractual obligations, an increase in interest rates or payments, or other sanctions, penalties, or fees.

Creditor Takes Action to Terminate, Withdraw, Limit, or Suspend a Financing Arrangement [668.171(d)(2)(iii)] - suggested documentation:

- Copies of notices and/or correspondence from the creditor terminating, withdrawing, limiting, or suspending a loan agreement or other financing arrangement or calling due a balance on a line of credit with an outstanding balance.
- Copy of any correspondence with the creditor regarding an action or pending action.

Financing Arrangement Where the Institution or Entity *may be* Subject to Default or Other Adverse Condition Based on any Action Taken by the Department [668.171(d)(2)(iv)] - suggested documentation:

Copy of the line of credit, loan agreement, security agreement, or other financing arrangement containing the default condition or provision. For additional information, please see Financial Responsibility Regulations - Questions and Answers (ed.gov) question FR-Q23.

Non-Final Judgment Awarding Monetary Relief (Appealable or Under Appeal) [668.171(d)(2)(v)] - suggested documentation:

- Copies of the judgment awarding monetary relief

Fluctuations in Title IV Volume

Institutions will not need to report anything to the Department for this discretionary trigger **668.171(d)(3)**.

- In the final rule, the Department explained that a single standard would be inappropriate, as the percentage or dollar amount of a fluctuation would look very different depending upon the size of the institution. The Department concluded that an approach relying upon "discussions with the institution" is more appropriate.

High Annual Dropout Rates

Institutions will not need to report anything to the Department for this discretionary trigger **668.171(d)(4)**.

Regarding what constitutes a "high annual dropout rate," the Department did not define the terminology. Instead, the Department opted for a case-by-case approach to determine whether there are indications of financial concern. In the final rule, the Department stated that it would assess the size of the institution, the number of students who drop out, and the cost associated with recruiting new students to replace those who drop out.

Interim Reporting

668.171(d)(5) - In some instances, institutions will be required to provide additional financial reporting, documentation demonstrating negative cash flows, failure of other financial ratios, cash flows that significantly miss the projections submitted to the Department, withdrawal rates that increase significantly, or other indicators of a significant change in the financial condition of the institution. Suggested documentation:

- The Department will inform institutions about the specific documentation required when this requirement applies.

Pending Borrower Defense Claims

Institutions will not need to report anything to the Department for this discretionary trigger **668.171(d)(6)**.

Discontinuation of Programs

Suggested documentation for **668.171(d)(7)**:

- Documentation demonstrating what programs were discontinued, when the programs were discontinued, and that they met the 25% threshold.
- Documentation explaining whether current students in those programs are allowed to finish and, if so, the length of time for those students to move through the programs. The institution will also need to provide numbers of students that are left in the program each year until completion, along with projected income from those students.

Closure of Locations

Suggested documentation for **668.171(d)(8)**

- Documentation demonstrating what locations were closed, when the locations were closed, and that the institution meets the 25% threshold.

State Actions and Citations

Suggested documentation for **668.171(d)(9)**:

- Documentation demonstrating that a State licensing or authorizing agency cited the institution for failing to meet their requirements, which would include documentation demonstrating that the agency will withdraw or terminate the institution's licensure or authorization if the institution does not take the steps necessary to come into compliance with that requirement.
- Any correspondence with the State licensing or authorizing agency relating to the citation

Loss of Institutional or Program Eligibility

Suggested documentation for **668.171(d)(10)**:

- Documentation from the Federal agency demonstrating that one or more of its programs has lost eligibility to participate in that agency's Federal educational assistance program due to an administrative action against the institution or its programs.
- Documentation demonstrating the amount of funds received by the institution from that agency for its most recently completed fiscal year.

Exchange Disclosures

Suggested documentation for **668.171(d)(11)**:

- The public filing demonstrating that the institution is under investigation for possible violations of State, Federal, or foreign law.

Actions by Another Federal Agency

Suggested documentation for **668.171(d)(12)**:

- Documentation from the Federal agency demonstrating that the institution may lose its eligibility to participate in that agency's Federal educational assistance program if it does not comply with the agency's requirements; and
- Documentation demonstrating the amount of funds received by the institution from that agency for its most recently completed fiscal year.

Other Teach-Out Plans or Agreements

668.171(d)(13) In concert with the Institutional Teach-Out Plans or Agreements mandatory trigger, this discretionary trigger covers circumstances where an institution is required to submit a teach-out plan or agreement, including programmatic teach-outs, by a State, the Department or another Federal agency, an accrediting agency, or other oversight body. Unlike the Institutional Teach-Out Plans or Agreements mandatory trigger, this discretionary trigger does not condition the notification on the demand that it is related, in whole or in part, due to financial concerns. Suggested documentation:

- Documentation demonstrating the institution has submitted a notification of a teach-out plan or agreement, including programmatic teach-outs, by a State, the Department or another Federal agency, an accrediting agency, or other oversight body.

An Event or Condition that the Department Learns About and Determines is Likely to Have a Significant Adverse Effect on the Institution's Financial Condition

Suggested documentation for **[668.171(d)(14)]**:

- Depending on the event or condition, the Department will notify the institution about the required documentation.

For questions concerning reporting of mandatory and discretionary triggers, please contact the Department's Financial Analysis division at FSAFinancialAnalysisDivision@ed.gov.

COMPLIANCE CORNER

OCTOBER IS CYBERSECURITY AWARENESS MONTH

October is recognized as Cybersecurity Awareness Month under an international initiative that educates everyone about online safety and empowers individuals and businesses to protect their data from cybercrime. The recognition began in 2004 when the National Cybersecurity Alliance (NCA) and the U.S. Department of Homeland Security made the declaration. As the digital world continues to evolve, so does the importance of cybersecurity. The newsletter highlights three solutions institutions and digital users can enact to improve your school's online safety.

1. Enable Multifactor Authentication (MFA)- as an institution participating in the Title IV programs, MFA is now a requirement under the Safeguards Rule within the Gramm Leach Bliley Act (GLBA). MFA requires users to prove their identity in multiple ways. In addition to entering a username and password, users must prove their identity by acknowledging the logon attempt on an authenticator app, entering a code, or using facial ID. MFA provides an added layer of cyber defenses by making it difficult for hackers to access accounts, even if a password is stolen. Enabling MFA on all accounts and systems that allow it can protect individuals and organizations from potential breaches.
2. Protect your network from a Ransomware attack. Ransomware is malicious software designed by cybercriminals to deny a user or organization access to their data. If your system is infected with ransomware, stay calm, shut off networks and systems to limit spread. Additionally, it is recommended you apply the following tips and practices to avoid an attack (provided through the Stop Ransomware campaign)

    a. Promote good cyber hygiene habits in order to keep your network healthy. Examples would be to enact a clean desk policy to ensure PII is removed when the desk space is vacated, conduct regular vulnerability scanning to identify and address vulnerabilities.
    b. Maintain offline, encrypted backups of data and regularly test your backups. Educate your team that these backups exist so they know the ransomware threat can be managed by restoring databases pulled from the offline backup.
    c. Don't be afraid to report ransomware attacks. When in doubt, it is best to get in front of a ransomware attack and engage federal authorities for technical assistance.
    d. Stay current with regular patch releases and update software and operating systems once received. Delaying or ignoring a software patch could be just the opening a cybercriminal needs to stage a ransomware attack.

3. In addition to staying current with regular software patches, organizations should stay current with all software updates. According to the NCA, two out of five respondents report “sometimes,” “rarely,” or “never” downloading software updates. Software weaknesses are exploited by hackers and can lead to breaches and exposure of sensitive information.

For more cybersecurity resources, visit the NCA website and their coverage on the Cybersecurity Awareness Month.

CALENDAR and RESOURCES

Training Resources

DJA MONTHLY WEBINARS

Program Integrity (Audits and Program Reviews)- Wednesday, November, 6, 2024, 11 a.m. CST

NOTE: There may be a difference between DJA local time and your time zone. To determine your time zone equivalent, click on this link to view a time zone map: http://www.worldtimezone.com/time-usa12.php

Webinars are free to clients, as well as our newsletter recipients. Invitations are automatically sent to all clients, however if you do not receive an invitation, email Lynessa Roberts at lroberts@gotodja.com. After registering, you will receive the log-in information. If you would like to attend a webinar and are not a DJA client, please email Lynessa and she will ensure you receive an invite to register. Questions can be directed to Lynessa by email or by calling toll free at 1-800-242-0977.

2024 DJA WEBINAR SCHEDULE

NOV 6	Program Integrity (Audits, Program Review)
DEC 4	1098-T Reporting

Conference Schedule

2024 AMERICAN ASSOCIATION OF COSMETOLOGY SCHOOLS OCTOBER 25-27, 2024

The 2024 AACS Annual Conference is a celebration of the 100th Anniversary of AACS. The event kicks off in Houston with a welcome session on Friday, October 25th and continues through the final speaker on Sunday, October 27th, at 3:15 PM. It is a challenging year for this regulated industry with the final gainful employment rule looming on the horizon, so this year's Annual Conference is a must attend event. From business networking to industry best practices, to the most recent updates regarding gainful employment and the release of the 25/26 FAFSA, there will be sessions of interest for everyone on your school's leadership team. DJA will be an exhibitor at this conference and would love to connect your team to discuss the advantages of partnering with our team on financial aid processing. For more information, visit myaacs.org.

2024 CSPEN 10th Annual Conference
October 28-31

The 2024 CSPEN Annual Conference is combining with the ASPA conference. This event is the 10th annual for CPSEN and will take place in Phoenix, AZ. The event will start with workshops and provide multiple sessions pertinent to your schools. DJA will be an exhibitor at this conference and would love to connect your team to discuss the advantages of partnering with our team on financial aid processing. For more information, visit https://cspen.com/cspen2024/.
