GEN-13-10                                              March 19, 2013

Subject:  Applying for Title IV Eligibility for Direct Assessment (Competency-Based) Programs

Summary:  This letter provides guidance to institutions[1] that wish to have direct assessment (competency-based) programs considered for title IV, Higher Education Act (HEA) program eligibility.  The letter outlines how institutions can have competency-based programs approved under the current regulations on direct assessment programs.

Dear Colleague:

Over the last several years, some institutions of higher education have developed new and creative program models in which students are provided with the means to acquire the knowledge and skills at an individual pace to demonstrate achievement of specific competencies identified as necessary to complete a program and earn a degree or other credential.  A majority of these program models are offered in credit or clock hours and can be accommodated under the current title IV, student financial aid regulations as non-term programs.  An increasing number, however, are not offered in credit or clock hours, and many of the institutions offering such programs want them approved for participation in the title IV, HEA programs.

Section 8020 of the Higher Education Reconciliation Act of 2005 (HERA) (Pub. L. 109-171) amended the Higher Education Act of 1965, as amended (HEA), and established the eligibility of direct assessment programs to participate in the title IV, HEA programs.  Specifically, the HERA provided that instructional programs that use direct assessment of student learning, or that recognize the direct assessment by others of student learning, *in lieu of measuring student learning in credit hours or clock hours*, may qualify as eligible programs if the assessment is consistent with the institution's or program's accreditation.  The HERA also provided that the Secretary of Education must initially determine whether each program for which an institution proposes to use direct assessment is an eligible program.

The Department of Education (the Department) published an interim final rule implementing the HERA provisions on August 9, 2006, and subsequently published a final rule on November 1, 2006.  Those final regulations, located in 34 CFR 668.10, define a "direct assessment program," outline the procedures and requirements for an institution that offers such a program to apply for the program to be determined an eligible program, and specify limitations on the use of title IV,

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[1] The guidance in this Dear Colleague Letter generally applies to institutions that currently participate in the title IV, HEA programs and wish to add a direct assessment program.  Institutions that are not currently participating should contact their school participation division for instructions on how to complete the application process.

HEA program funds. Under current regulations, the entire program must be provided by direct assessment. Those offered partially with credit or clock hours and partially via direct assessment are not eligible programs.

Generally, 34 CFR 668.10 includes the following requirements:

- Instead of using credit hours or clock hours as a measure of student learning, instructional programs may use direct assessment of student learning, or recognize the direct assessment by others of student learning. Examples of direct measures include projects, papers, examinations, presentations, performances, and portfolios.

- An institution that wishes to award Federal Student Aid (FSA) funds in a program using direct assessment must apply for approval from the Department. The application must specify the equivalent number of credit or clock hours for a direct assessment program (including how equivalencies will be established if students are permitted to take less than the entire program based on an assessment conducted at the outset). The Secretary will use these equivalencies to determine whether the program meets the minimum requirements for an academic year and as the basis for payment period and award calculations.

- As a part of its application, the institution must explain how it determined the equivalent number of credit or clock hours for the program, i.e., its methodology for determining these equivalencies.

- An institution must demonstrate that its institutional accrediting agency has reviewed and approved its offering of the direct assessment program.

- An institution must demonstrate that its institutional accrediting agency or State licensing body has agreed with the institution's assessment of its credit or clock hour equivalencies.

- A direct assessment program may use learning resources (e.g., courses or portions of courses) that are provided by entities other than the institution providing the direct assessment program without regard to the limitations on written arrangements between an eligible institution and an ineligible institution or organization under 34 CFR 668.5(c).

- Federal Student Assistance (FSA) funds may be awarded only for learning that results from instruction provided, or overseen, by the institution. FSA funds cannot be awarded for any portion of the program based on study or mastery obtained prior to enrollment in the program, or based on tests of learning that are not associated with educational activities overseen by the institution.

- Several types of programs and coursework that might otherwise be eligible for FSA purposes are not eligible if they involve direct assessment, including:

  o Programs at foreign schools;

  o Preparatory coursework required for entry into an eligible program; and

  o Courses necessary for an elementary or secondary school teaching credential or certificate.

- Remedial coursework measured through direct assessment is not eligible for title IV, HEA program funds. However, remedial coursework offered in credit or clock hours in conjunction with a direct assessment program is eligible for FSA funds.

- If the institution plans to make changes to the program that would affect any of the information provided in its application to add a direct assessment program, it must obtain prior approval from the Department by reapplying.

It is imperative that faculty and academic officials work closely with their institution's financial aid administrators throughout the process of developing a direct assessment program and completing the application for title IV, program eligibility to ensure that all applicable aspects of title IV, program eligibility are addressed and that the program can be operationalized for title IV, HEA purposes. In addition to the criteria in 34 CFR 668.10 listed above, an institution must demonstrate that the program meets the financial aid-related components in §668.10(a). In its application, an institution must explain the method for reasonably equating the direct assessment program to credit or clock hours and related parameters of the program, including minimum weeks of instructional time, payment period, how an academic activity will take place during each week, and the definition of a full-time student. An institution should also address issues such as how it plans to measure satisfactory academic progress (SAP) for students in the direct assessment program and how or whether the financial aid system will be configured to process aid for students in the program.

For more detailed information on the eligibility requirements for a direct assessment program, please refer to the regulations at 34 CFR 668.10 and to Volume 2, Chapter 2 of the FSA Handbook. In addition, the attachment to this Dear Colleague Letter contains step-by-step instructions that an institution should follow in completing the E-App to apply to have a competency-based program approved to participate in the title IV, HEA programs. While there is no prescribed, uniform competency-based education model or approach, the Department will work closely with interested institutions as they move through the approval process. We encourage institutions with competency-based program models to apply for title IV, program eligibility under the existing framework for direct assessment programs.

Competency-based approaches to education have the potential for assuring the quality and extent of learning, shortening the time to degree/certificate completion, developing stackable

credentials that ease student transitions between school and work, and reducing the overall cost of education for both career-technical and degree programs. The Department plans to collaborate with both accrediting agencies and the higher education community to encourage the use of this innovative approach when appropriate, to identify the most promising practices in this arena, and to gather information to inform future policy regarding competency-based education. Currently, the direct assessment authority in the HEA is the mechanism through which title IV, HEA funds can be provided for competency-based education, and we understand that it may not adequately accommodate this educational model. The Department intends to use what we learn from participating institutions to inform future discussions regarding the reauthorization of the HEA.

For general questions about direct assessment programs, please contact Kay Gilcher by telephone at 202-219-7011 or by e-mail at [Kay.Gilcher@ed.gov](mailto:Kay.Gilcher@ed.gov).

Sincerely,

David A. Bergeron
Acting Assistant Secretary
for Postsecondary Education

Attachment

## Application for Title IV Approval of a Direct Assessment Program

If your institution wishes to have a direct assessment program determined to be an eligible program for title IV, HEA program purposes, you must submit an updated Electronic Application for Approval to Participate in the Title IV Federal Student Aid Programs (E-App) including the new program.  The E-App can be accessed at ([www.eligcert.ed.gov](http://www.eligcert.ed.gov)).  After submitting the E-App, please mail the required supporting documentation to the Department as instructed in Section M of the E-App, and submit, via e-mail, a detailed description of the program that fully addresses each of the 10 required elements outlined in 34 CFR 668.10(b) and a detailed description of financial aid administration that addresses the financial aid requirements in §668.10(a).

## Application Process Overview

The Department accepts applications for approval online and on a rolling basis.  Institutional applications will be reviewed by the Department to ensure that the application is properly completed, to determine whether the institution has any restrictions on adding additional programs, and to evaluate whether the narrative adequately demonstrates that the program satisfies the requirements in 34 CFR 668.10.  Please include the names and contact information of the institutional program contact who can answer specific questions about the direct assessment program, as the Department may need to contact the institution to ascertain or clarify information during the review of the application.

Institutions must reapply to the Department when any reported aspect of the program changes.  Examples that could warrant reapplication include, but are not limited to:  changes in the program's equivalence in terms of credit or clock hours, changes in how the assessments of student learning are conducted, changes in how the program is structured, and changes in the educational credential offered.

## Application Process

Below are step-by-step instructions that institutions must follow when completing the E-App to request title IV approval of a direct assessment program.

**In applying for approval of a direct assessment program, it is critical that you make only changes to the E-App that are relevant to the direct assessment program**.  Institutions should not make any other changes, such as, for example, updating the institution's address, adding other programs, or updating accreditation information, as doing so will delay the approval process.

- Step 1 – Access the institution's E-App at http://www.eligcert.ed.gov/ . In Question 1, check "Other" as the reason you are submitting the application and specify in the box that the purpose is "Direct Assessment Program."

- Step 2 – Scroll to the bottom of the page and select "Go to Section," enter "E" in the box, and click "OK/Save Data."

- Step 3 – In Question 26, if the direct assessment program is being added at a program level not currently approved for title IV, check the box that corresponds to the type of educational program that will be offered via direct assessment.

- Step 4 – In Question 26 between d. and e., there is a question that asks "Do you measure a student's progress in any of these degree programs by direct assessment instead of credit or clock hours?" **Check "Yes" to this question regardless of whether the program is a degree or certificate program.**

- Step 5 – If the direct assessment program is one that must lead to gainful employment in a recognized occupation under 34 CFR 668.8, or if your institution has been instructed to provide details of other types of programs in its provisional Program Participation Agreement (PPA), then you must provide details of the program in the applicable sections of Question 27. When completing this section, you must include "Direct Assessment" in the program name field and ensure that all information provided matches the information that you will provide in your e-mailed narrative description of the direct assessment program (see below).

- Step 6 – If the direct assessment program is not one that must lead to gainful employment in a recognized occupation under 34 CFR 668.8, and your institution has not been instructed to provide details of other types of programs in its PPA, go to the bottom of the page and select "Go to Section," enter "K" in the box, and click "OK/Save Data." Then, scroll to Question 69 and enter the name of the degree program being offered via direct assessment.

- Step 7 – Scroll to the bottom of the page and select "Go to Section," enter "L" in the box, and then click "OK/Save Data."

- Step 8 – In Section L, check the box indicating that "the President/CEO/Chancellor in Question 10 will sign the signature page" and then print the required signature page.

- Step 9 – Scroll to the bottom of the page and select "Submit the Application" then click "OK/Save Data."

- Step 10 – The system will tell you if all required entries have been made on your application. If complete, click on "Submit Application." If not, make any necessary corrections and then submit the application.

- Step 11 – The system will advise you that your application has been received by the Department. It will indicate any documents that must be submitted and provide you with the address to which you should send these documents.

- Step 12 – Mail the signed and dated signature page and other required supporting documents to the Department at the address provided in Section M.

- Step 13 – E-mail the Detailed Program Description and the Detailed Description of Financial Aid Administration of your direct assessment program (see below) to: CaseTeams@ed.gov. Complete the subject line of the e-mail using the following format:

    [Name of your institution, State, and OPEID] - Documentation for Direct Assessment program application

    **Example:** XYZ University, Idaho, 00999900 - Documentation for Direct Assessment program application

**Detailed Program Description**

The detailed description of the program, (recommended length not to exceed 20 pages), should be a succinct narrative that clearly indicates the name of the program and how the program meets each of the regulatory requirements below (the regulatory element that each part of the narrative addresses must be clearly identified). Be sure to include the name and contact information of the institutional program contact who can answer specific questions about the direct assessment program.

    (1) A description of the educational program, including the educational credential offered (degree level or certificate) and the field of study.

    (2) A description of how the assessment of student learning is done.

    (3) A description of how the direct assessment program is structured, including information about how and when the institution determines on an individual basis what each student enrolled in the program needs to learn.

    (4) A description of how the institution assists students in gaining the knowledge needed to pass the assessments.

(5) The number of semester or quarter credit hours, or clock hours, that are equivalent to the amount of student learning being directly assessed for the certificate or degree, as required by 34 CFR 668.10(b)(3).

(6) The methodology the institution uses to determine the number of credit or clock hours to which the program is equivalent.

(7) The methodology the institution uses to determine the number of credit or clock hours to which the portion of a program an individual student will need to complete is equivalent.

(8) Documentation from the institution's accrediting agency indicating that the agency has evaluated the institution's offering of the direct assessment program(s) and has included the program(s) in the institution's grant of accreditation.

(9) Documentation from the accrediting agency or relevant state licensing body indicating agreement with the institution's claim of the direct assessment program's equivalence in terms of credit or clock hours.

(10) Any other information the Secretary may require to determine whether to approve the institution's application.

## Detailed Description of Financial Aid Administration

The detailed description of financial aid administration for the program (recommended length not to exceed five pages) should explain how the program meets the requirements for administering title IV aid. Critically, because a direct assessment program does not utilize credit or clock hours as a measure of student learning, you must establish a methodology to reasonably equate the direct assessment program to credit or clock hours for the purpose of complying with applicable regulatory requirements. You must provide a factual basis for your claim that the program or portion of the program is equivalent to a specific number of credit or clock hours. In your description, please describe how you have established equivalencies for credit or clock hours. Based on that equivalency, you should also explain—

- How you determined the minimum weeks of instructional time;

- How you define the payment period;

- How you will document that an academic activity takes place on a weekly basis;

- How the student will interact with a faculty member on a regular and substantive basis; and

- How you define a full-time student.

In addition to the items above, please address how you will measure whether a student is making satisfactory academic progress in the program, and how you will determine when a student has withdrawn or changed his or her enrollment status.  Please also provide evidence that your institution has considered whether your financial aid systems are configured to handle the management of a direct assessment program and whether you anticipate any challenges related to these systems.  Finally, be sure to include the name of the program and the name and contact information of the financial aid contact who can answer specific questions about the direct assessment program.