

Federal Student Aid

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SUBJECT: Updated Guidance and Procedures for Changes in Ownership

This Electronic Announcement provides several updates and reminders applicable to the change in ownership (CIO) process for eligible institutions, including the discontinuation of the Comprehensive Pre-Acquisition Review process; clarification regarding the process that must be followed when an institution acquires another institution with the intention of adding the acquired institution as an additional location; and a reminder about the importance of working with the Department of Education (Department) in addition to an institution's accrediting agency when undergoing a CIO.

Discontinuation of Comprehensive Pre-Acquisition Review

A pre-acquisition review by ED is an optional review process available to an institution that is considering a CIO. A CIO transaction can be completed without a pre-acquisition review. Over the past few years, FSA has offered two types of pre-acquisition reviews for an institution that is considering a CIO transaction: a Comprehensive Pre-Acquisition Review (CPAR), or an Abbreviated Pre-Acquisition Review (APAR).

To better serve institutions undergoing a CIO, and to provide more timely processing of pre-acquisition reviews, **the Department is no longer offering the CPAR option but will continue to offer the APAR option to institutions requesting a pre-acquisition review.** The APAR will remain a valuable tool to ensure the new owner's timely submission of a materially complete application, including acceptable audited financial statements under [34 CFR 600.20\(g\)\(2\)\(iv\)](#), since the APAR determination letter will put the parties on notice of the new owner letter of credit (LOC) requirements and amounts if the new owner is unable to provide two years of acceptable audited financial statements.

A CPAR has been a full, in-depth review of the proposed CIO transaction to identify impediments to the Department's approval of the CIO application, and to identify conditions that the Department is likely to impose in the temporary provisional program participation agreement or in the provisional program participation agreement if the CIO application is approved. This level of review required extensive analysis and resources, and as such, the amount of time necessary for each review meant that the Department often could not meet the parties' transaction closing timelines.

An APAR is a review of the proposed CIO transaction that is limited to addressing whether an institution will be required to post an LOC if the institution's prospective new owner is unable to provide two years of acceptable audited financial statements. Additionally, if multiple levels of ownership are identified in a prospective transaction, the APAR also determines which level of ownership must submit the audited financial statements for compliance with [34 CFR 600.20\(g\)\(2\)\(iv\)](#) and [\(h\)\(3\)\(i\)](#).

In accordance with [34 CFR 668.14\(g\)](#), an institution's program participation agreement automatically expires on the date the institution undergoes a CIO that results in a change in control. Under [34 CFR 600.31\(a\)\(2\)](#), the Department may temporarily extend the institution's program participation agreement on a provisional basis following a CIO if certain conditions are met, including the submission of a materially complete application no later than 10 business days after the day the change occurs. As part of a materially complete CIO application, the institution must provide two years of acceptable audited financial statements from the new owner (see [34 CFR 600.20\(g\)\(2\)\(iv\)](#)). If the institution's new owner does not have two years of acceptable audited financial statements, the institution must provide an irrevocable Letter of Credit or another form of financial protection acceptable to the Department no later than 10 business days after the day the change occurs in lieu of the required audited financial statements. If an institution does not submit a timely and materially complete CIO application, the Department does not issue a temporary provisional program participation agreement and the institution's Title IV participation ends (see [34 CFR 668.14\(g\)\(1\)](#)).

Changes in Ownership Resulting in a Freestanding Institution Becoming an Additional Location of Another Institution

In [34 CFR 600.31\(d\)](#), the Department lists several examples of a CIO that results in a change in control, including the “merger of two or more institutions.” One possible outcome of such a merger is that one of the institutions will become an additional location of the other.

To be effective, a CIO that is intended to make one institution into an additional location of another must occur in two steps:

- First, a CIO must occur *for the institution that will become the additional location* of the other institution; and
- Second, after the Department has approved the actions taken in “Step 1” below, the other (acquiring) institution must submit an application to add the acquired institution as an additional location in “Step 2” below.

Until “Step 2” below is completed and the Department approves the additional location, the institution that has been acquired continues its existence as an independent institution and must continue to operate under its existing OPE ID. If it fails to do so, it will be deemed closed. Once the Department approves the additional location, the non-surviving OPE ID is discontinued.

Below is a summary of the process that must occur when an institution (through its owner entity) acquires or purchases another Title IV institution with the intention of making the acquired institution an additional location:

Step 1: No later than 10 business days after the CIO occurs, the institution that is being acquired must update and submit the electronic “Application for Approval to Participate in Federal Student Financial Aid Programs” (E-App) for the change in ownership resulting in a change in control for the institution being acquired and submit documents required for a materially complete application.

The institution being acquired must submit an E-App and the change in ownership documents outlined in [34 CFR 600.20\(g\)\(2\)](#) no later than 10 business days after the CIO occurred. In the event that an institution fails to timely comply, it will be subject to a loss of Title IV, HEA eligibility pursuant to [34 CFR 600.31\(a\)](#) and [34 CFR 668.14\(g\)\(1\)](#).

When a CIO occurs, the Department may continue an institution’s participation on a temporary provisional basis if the institution submits a “materially complete application” that is received by the Department no later than 10 business days after the date the change occurred, in accordance with [34 CFR 600.20\(g\)\(1\)](#).

In accordance with [34 CFR 600.20\(h\)\(2\)\(iii\)](#), the temporary provisional program participation agreement expires on the last day of the month following the month in which the CIO occurred. At the Department’s discretion, the temporary provisional program participation agreement may be extended on a month-to-month basis only if, prior to the expiration date, an institution submits the required information outlined in [34 CFR 600.20\(h\)\(3\)](#). In the event an institution does not timely comply with those requirements (required documents must be submitted no later than the last day of the month following the month in which the CIO occurred), the temporary provisional program participation agreement will expire on that date, without further notice.

The institution being acquired and its new owner may also be asked to submit additional documents and information (or requested confirmations) for the Department to complete its review of the institution’s continued participation in Title IV, HEA programs following its CIO. The requested documents and confirmations must be submitted no later than the last day of the month following the month in which the CIO occurred, as described in [34 CFR 600.20\(h\)\(2\)\(iii\)](#).

Step 2: The surviving main institution applies via the E-App for the merger of the institution that has been acquired in the CIO.

After the CIO is complete, the institution that intends to be the surviving main institution must apply for the merger of the acquired institution. The surviving main OPE ID number is retained while the non-surviving institution usually relinquishes its OPE ID to become an additional location. The regulations at [34 CFR 600.32](#) describe the eligibility requirements for an additional location.

Ensuring the Department is sufficiently informed about the change in ownership process

The Department is aware of instances where institutions have undergone CIOs or made other changes to its ownership or membership structure and consulted with (or obtained advice from) their accrediting agency under the agency’s structural change standards but did not consult with the Department. Accrediting agency standards may not always align with the Department’s requirements for CIOs and the approval of additional locations. When a school anticipates a change in ownership or acquisition of an additional location, it should notify its [School Participation Division](#) as early as possible to ensure that it remains in compliance with the requirements of [34 CFR 600.20\(g\)](#) and [\(h\)](#).

The Department does not permit an institution to establish an “additional location” that is comprised solely of distance education coursework, even if the institution’s accrediting agency treats such a change as the acquisition of a “branch campus” under the agency’s standards. Therefore, if an institution intends to acquire another institution that offers 100 percent of its programming through distance education, it is especially important to notify the Department as soon as possible prior to consummating the transaction to avoid the acquired institution from losing its Title IV eligibility due to the CIO.

Contact

If you have questions about this announcement, please contact your School Participation Division using the contact information on [Federal Student Aid's Partner Connect website](#).