

# Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

Published on <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-11-21/change-ownership-documentation-reporting-and-requirements>

POSTED DATE: November 21, 2024

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ELECTRONIC ANNOUNCEMENT ID: GENERAL-24-136

SUBJECT: Change in Ownership Documentation, Reporting, and Requirements

This Electronic Announcement provides an important reminder applicable to the change in ownership (CIO) process including documentation and reporting requirements for eligible institutions as well as specific documentation requirements for Temporary Provisional Program Participation Agreements (TPPPAs) and for continuation of the TPPPA on a month-to-month basis.

## Background

If an institution participating in the *Title IV*, HEA programs undergoes a CIO that results in a change of control as described in [34 C.F.R. § 600.31](#), the Department may continue the institution's participation in those programs on a provisional basis under the circumstances described in [34 C.F.R. § 600.20\(g\)](#). If the institution's materially complete application is approved, the institution will receive a TPPPA. In accordance with [34 C.F.R. § 600.20\(h\)\(3\)](#), the TPPPA expires on the last day of the month of the month following the CIO. At the Department's discretion, the TPPPA may be extended on a month-to-month basis only if, prior to the expiration date of the TPPPA, an institution submits the documents necessary to comply with the requirements of [34 C.F.R. § 600.20\(h\)\(3\)](#). Note that the Department's regulations at [34 C.F.R. § 600.20\(g\)\(1\)\(i\)](#) require a 90-day notification prior to all CIOs. Please see the guidance found in [Electronic Announcement GENERAL-24-54](#) for the documents and information that must be provided with the 90 Day Notification.





## Documentation Required to Support a Materially Complete Application to be Submitted Within 10 Business Days of the CIO

1. A copy of the institution's state license(s) or equivalent documentation **as of the day before the CIO** that authorizes the institution to provide a program of postsecondary education in all states in which it is physically located. [34 C.F.R. § 600.20\(g\)\(3\)\(i\)](#).
2. A copy of the accrediting agency approval that was in effect **on the day before the CIO** and granted the institution's accreditation status and includes approval of the non-degree programs it offers. [34 C.F.R. § 600.20\(g\)\(3\)\(ii\)](#).
3. Audited financial statements for the institution's two most recently completed fiscal years. [34 C.F.R. § 600.20\(g\)\(3\)\(iii\)](#).
4. Audited financial statements for the new owner's two most recently completed fiscal years. [34 C.F.R. § 600.20\(g\)\(3\)\(iv\)](#).


## Documentation for a Materially Complete Application

The documentation submitted to meet these requirements should be updated to confirm state authorization and accreditation **as the day prior to the closing date of the transaction**. The documentation can be in the form of an updated (no earlier than 60 days before the closing of the transaction) letter from the state authorizing or accrediting agency. Alternatively, the institution can submit the approval letter or certification from the institution's most recent authorization or accreditation approval plus some other evidence to demonstrate that the approval was still in effect the day before the CIO (e.g., a confirmation email from the state authorizing or accrediting agency or a date marked screen shot from the state authorizing or accrediting agency's website).

## Specific Requirements for the Audited Financial Statements for a Materially Complete Application

- The financial statements must be prepared on an accrual basis in accordance with generally accepted accounting principles (“GAAP”) and audited by an independent auditor in accordance with generally accepted government auditing standards (“GAGAS”). There is no exception for foreign entities that own domestic institutions. Note: For a CIO that involves a foreign public or nonprofit institution that is owned by a foreign entity, please see [34 C.F.R. § 668.23\(h\)](#)  for the accounting and auditing requirements.
- Regardless of the timing of the closing of the transaction, the institution must submit its GAAP and GAGAS audited financial statements for the most recently completed fiscal year end (FYE) to meet the requirements of a materially complete application even if the financial statements are not yet required to be submitted in accordance with [34 C.F.R. § 668.23\(a\)\(4\)](#) . For example, if the entity’s FYE is June 30th, and the transaction closes on July 1, 2025, audited financial statements for FYE 6/30/2025 must be submitted.
- Comparative statements only satisfy one year of the requirement. For example, financial statements titled "FYE 6/30/2024 and 2023" only satisfy the requirement for submitting the financial statements for 6/30/2024.
- If the CIO is consummated via a transfer or creation of a membership interest or a transfer of stock (or an elimination of such interest), the institution’s financial statements should be submitted for the entity with the highest level of 100% ownership under the former ownership structure that will remain following the CIO. If separate financial statements for that entity do not exist, financial statements for a higher-level entity maybe submitted, but only if they do not reflect any other institution, assets, operations, or activities that are not being transferred in the CIO.
- If the CIO is a sale of the institution’s assets alone, and if separate institution financial statements are not available, financial statements for the former Level 1 owner may be submitted, but only if the Level 1 owner financial statements do not reflect any other institution, assets, operations, or activities that are not being transferred in the CIO. Otherwise, separate institution financial statements must be submitted.
- Except when otherwise determined by the Department to assess financial risk, the Department generally requires the submission of the new owner financial statements for the entity at the highest unfractured level of new ownership.
- Financial protection is required when (1) an entity (or related entities) acquires a controlling interest in an institution and does not have any acceptable audited financial statements. The amount of the financial protection is 25% of the prior year’s Title IV funding. (2) An entity (or related entities) acquires a controlling interest in an institution and the entity has only one, but not two years of acceptable audited financial statements. The amount of the financial protection is 10%. (3) A natural person (or related natural persons) acquires a controlling interest in an institution and is not acquiring their interest via an entity (or entities) with two years of acceptable audited financial statements. The amount of the financial protection is 25%. (4) A group of natural persons, or natural persons and entities, acquire an interest in an institution and the combined ownership of the new owners (both the natural persons and any entities) is equal to or exceeds the ownership share of the existing ownership, even if any individual new owner does not obtain control. The amount of the financial protection is 25% for any new owner natural persons or new owner entity(ies) without any acceptable audited financial statements. Financial protection is 10% for any new owner entity(ies) with only one year of audited financial statements. Financial protection is based on the pro rata share of each new owner in the total ownership.
- The financial protection option is only available for the new owner financial statements; it is not available for institution financial statements.
- The new owner financial statements will be evaluated in accordance with [34 C.F.R. § 668.176](#) , and if the financial statements fail the financial responsibility standards, it will be required to provide financial protection and comply with the zone requirements in [34 C.F.R. § 668.175\(d\)](#) .

## Specific Requirements for Evaluation of Acquisition Debt related to the CIO

- The institution must provide the details of any acquisition debt, including all agreements and any amendments.
- An institution that is not financially responsible must provide financial protection in an amount that is not less than 10% or an amount determined by the Department, and follow the zone requirements in [34 C.F.R. § 668.175\(d\)](#) .

## Submission Requirements for Audited Financial Statements as Part of a Materially Complete Application and Acquisition Debt

New financial responsibility regulations went into effect on July 1, 2024. To accommodate the new regulatory requirements, updates to the eZ-Audit system are required, and these developments are currently in progress. Until those updates to the system are completed, please follow the following directions for submission of the new owner and institutional financial statements as part of a materially complete application (10 business days following the closing of the CIO) and to comply with the submission of acquisition debt related to a CIO:

- Submit via email to [FSAFinancialAnalysisDivision@ed.gov](mailto:FSAFinancialAnalysisDivision@ed.gov) for any CIO on or after July 1, 2024.
- To ensure uniformity and facilitate processing submitted emails, please place the following information in the subject line: CIO Financial Statements Submission or CIO Acquisition Debt; Date of CIO; Name of Institution; OPEID; and State of main location.

The maximum file size allowed in the email submission is 100 megabytes, which includes text, graphics, as well as the attachment. The date of the email submission will be treated as the date of submission to the Department.

The submission guidance for financial statements under a CIO in this announcement remains in place until additional guidance is released.

## Conditions for the Extension of the TPPPA

At the Department's discretion, the TPPPA may be extended on a month-to-month basis only if, prior to the expiration date of the TPPPA, an institution submits the documents necessary to comply with the requirements of [34 C.F.R. § 600.20\(h\)\(3\)](#). For example, if the CIO occurred on February 1st, the documents required by [34 C.F.R. § 600.20\(h\)\(3\)](#) are due by March 31st, and if the CIO occurred on February 28th, the documents are also due by March 31st.

If the TPPPA will expire under the provisions of [34 C.F.R. § 600.20\(h\)\(2\)\(i\)](#), the Department extends the provisional TPPPA on a month-to-month basis after the expiration date described in [34 C.F.R. § 600.20\(h\)\(2\)\(i\)](#) if, prior to that expiration date, the institution provides the Department with the following:

1. An audited "same-day" balance sheet for a proprietary institution or an audited statement of financial position for a nonprofit institution, as of the date of the change in ownership ("SDBS"). [34 C.F.R. § 600.20\(h\)\(3\)\(i\)](#). Please submit the SDBS through the eZ-Audit system using the "CIO/Merger" link. This link will also require that the institution and new owner financial statements be submitted.
2. If not already provided, approval of the change of ownership from each State in which the institution is physically located or for an institution that offers only distance education, from the agency that authorizes the institution to legally provide postsecondary education in that State. [34 C.F.R. § 600.20\(h\)\(3\)\(ii\)](#).
3. If not already provided, approval of the change of ownership from the institution's accrediting agency. [34 C.F.R. § 600.20\(h\)\(3\)\(iii\)](#).
4. A default management plan unless the institution is exempt from providing that plan under [34 C.F.R. § 668.14\(b\)\(15\)](#) and [34 C.F.R. § 600.20\(h\)\(3\)\(iv\)](#).

When an institution does not timely comply with the requirements of [34 C.F.R. § 600.20\(h\)\(3\)](#), it will no longer be eligible to participate in Title IV, HEA programs in accordance with [34 C.F.R. § 600.31\(a\)](#) and [34 C.F.R. § 668.14\(g\)\(1\)](#).

## Specific Requirements for the Same-Day Balance Sheet (SDBS)

The SDBS must be a consolidated same-day financial statement at the level of highest unfractured ownership or at a level determined by the Department for an ownership of less than 100 percent, in accordance with the requirements of [34 C.F.R. § 668.176\(d\)\(1\)\(i\)\(C\)](#). Depending on the ownership structure, the Department may also require additional financial information from higher level entities which own less than 100%, or from other related entities. The SDBS must be prepared in accordance with United States GAAP and audited in accordance with United States GAGAS. There is no exception for foreign entities that own domestic institutions. (For a CIO that involves a foreign public or nonprofit institution that is owned by a foreign entity, please see [34 C.F.R. § 668.23\(h\)](#) for the accounting and auditing requirements.) The Department will consider allowing the institution to submit the SDBS at a lower level if the institution posts financial protection. The amount of the financial protection is calculated based on the number of levels of ownership above the requested level for the SDBS. Please contact [FSAFinancialAnalysisDivision@ed.gov](mailto:FSAFinancialAnalysisDivision@ed.gov) for questions on the SDBS.

## Specific Information Needed for State Approval of CIO

An institution must submit the state authorizing agency's **approval of the CIO** under [34 C.F.R. § 600.20\(h\)\(3\)\(ii\)](#). This must be submitted for every state in which the institution is located. Good standing letters, authorizations to operate while a CIO is being reviewed, or applications for approval are not sufficient. To comply with this requirement, the institution must provide documentation from the state agency that provides:

1. A clear statement from the state agency that the Change of Ownership has been **approved**; or
2. A confirmation that the documentation reflects the approval of the CIO under the applicable state statutes, regulations, or procedures, even if the documentation does not contain an explicit and declarative statement of approval of the CIO; or

3. A confirmation that under the applicable state statutes, regulations, or procedures, the school is exempt from submitting the CIO to the state agency for approval; or
4. A confirmation that under the applicable state statutes, regulations, or procedures, the state agency does not consider the transaction to be a change of ownership resulting in a change of control.

As a reminder, please schedule your transaction and coordinate with your state authorizing agency so that the state authorizing agency approval **can be obtained by the deadline**.

## Specific Information Needed for Accreditor Approval of CIO

An institution must submit its accrediting agency's **approval of the CIO** under [34 C.F.R. § 600.20\(h\)\(3\)\(iii\)](#). Good standing letters, continued accreditation while a CIO is being reviewed, or applications for approval are not sufficient. To comply with this requirement, the institution must provide documentation from the accrediting agency that provides:

1. A clear statement from the accrediting agency that the Change of Ownership has been **approved**; or
2. A confirmation that the documentation reflects the approval of the CIO under the applicable agency standards, even if the documentation does not contain an explicit and declarative statement of approval of the CIO; or
3. A statement that the accrediting agency does not consider the transaction to be a change of ownership resulting in a change of control.

See also [EA GENERAL-22-70](#), which alerts schools of the requirement of timely submissions following a CIO.

## Contact Information

For questions concerning the CIO process, contact your School Participation Division using the contact information on [Federal Student Aid's Partner Connect website](#) (cc: [CaseTeams@ed.gov](mailto:CaseTeams@ed.gov) and [CIODocuments@ed.gov](mailto:CIODocuments@ed.gov)).

For questions concerning audited financial statements requirements for a CIO, please contact FSA's Financial Analysis Division at [FSAFinancialAnalysisDivision@ed.gov](mailto:FSAFinancialAnalysisDivision@ed.gov).