**Campus-Based Programs** 

Sections 674.2, 675.2, and 676.2 Definitions

Comments: Two commenters expressed their support for the proposal to delete the duplicative definitions of the terms "full-time graduate or professional student" and "full-time undergraduate student" from § 674.2(b) and § 675.2(b) and the term "full-time undergraduate student" from § 676.2(b). One commenter felt clarification was needed in the "full-time student" definition in § 668.2 of the Student Assistance General Provisions regulations to distinguish a full-time course load for undergraduate students from that of graduate/professional students.

Discussion: The Secretary believes that the definition of "full-time student" in the Student Assistance General Provisions regulations adequately addresses the determination of a fulltime course load for both undergraduates and graduate/ professional students. As stated in § 668.2, in the definition of a "full-time student," "\* \* \* academic workload (other than by correspondence) as determined by the institution under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student." This part of the definition provides the institution with the discretion to determine a full-time course load for all classifications of students. The definition then proceeds to provide *minimum* standards for an undergraduate student.

Changes: None.

Sections 674.17, 675.17, and 676.17 Federal Interest in Allocated Funds

Comments: Several commenters supported the proposal to delete the provisions in § 674.17(a), § 675.17, and 676.17 that provide that Federal Perkins Loan, FWS, and FSEOG program funds are to be held in trust for the intended students and the Secretary and cannot be used or hypothecated for any other purpose. The commenters agreed that the elimination of these sections reduces redundancy since this provision is contained in the Student Assistance General Provisions regulations, § 668.161(b).

One commenter, while agreeing that regulations should not be repetitive, pointed out that § 668.161(b) of the General Provisions regulations only excepts funds used for administrative

expenses, whereas § 675.17 of the FWS Program regulations, includes other allowable uses besides awards to students, such as use of funds for establishment of a Job Location and Development (JLD) Program.

The commenter also observed that under the Federal Perkins Loan Program regulations certain collection costs may also be charged to the fund; these charges are outside of the administrative expense allowance. The commenter further indicated that § 674.17(a) also reinforces the requirement that funds received by the institution includes repayments on loans. The commenter suggested clarifying § 668.161(b) to include other uses of campus-based funds.

Discussion: Federal Perkins Loan *Program.* The Secretary does not agree with the comment that § 668.161(b) needs clarification if § 674.17(a) is deleted. Section § 668.161(b) provides for uses of title IV, HEA allocated funds. Once loans are made and students begin making repayments, the repayments on these loans become part of the Federal Perkins Loan Program Fund (Fund). Also the charges for certain costs incurred in collecting a loan, when not paid by the borrower, are to be made against the Fund. Uses of the Fund are provided for in other sections of the Federal Perkins Loan Program regulations.

Federal Work-Study Program. The Secretary agrees with the commenter that § 668.161(b) excepts only funds used for administrative expenses, whereas § 675.17 allows funds allocated under the FWS Program to also be used for establishment of a Job Location and Development Program; and that if § 675.17 is deleted, § 668.161(b) needs clarification.

Changes: The Secretary is amending the language of this provision in § 668.161(b) to incorporate the uses of allocated FWS funds for certain activities under the Job Location and Development Program.

Sections 674.19, 675.19 and 676.19 Fiscal Procedures and Records

Comment: Several commenters commended the Secretary for the proposal to allow institutions the additional flexibility of using optical disk technology in complying with recordkeeping requirements. The commenters viewed this as additional proof of the Department's goal to simplify and modernize the regulations, and they commended the Secretary on his recognition of the importance of paper reduction. One of these commenters stated that this change will greatly enhance their ability to comply

with the regulations to maintain records while utilizing their personnel and physical spaces more efficiently.

One commenter, while recognizing the benefit to schools in reducing the paper they have to retain, expressed concern of the danger for borrowers and the Department in having records that are more difficult to read or use as proof in legal cases. This commenter pointed out the fact that forgeries and alterations are not likely to be discernible under these alternative formats. The commenter recommended against allowing alternative forms of record retention for key Federal Perkins loan documents, such as promissory notes.

Discussion: The Secretary appreciates the commenters' support for new technology for the maintenance of records. However, the Secretary recognizes that he needs to allow for future technologies that provide an actual image of the original document. In response to the one commenter who was concerned about alternative forms of record retention, it has never been the Secretary's intention to allow alternative means of recordkeeping for key documents. Section 674.19(e)(4)(i) of the Federal Perkins Loan Program regulations provides that institutions must keep the *original* promissory notes and repayment schedules in a locked, fireproof container. These provisions remain and are not affected by the addition of the use of optical disk technology for maintaining other records.

*Changes:* The Secretary is amending this provision to provide for additional optical imaging technology.

Federal Perkins Loan Program

Section 674.2 Definitions

Comments: The commenters supported the Secretary's proposal to redefine the term "making of a loan." However, several commenters requested that the Secretary clarify when a Federal Perkins loan is made, because the date on which the student signs the promissory note and the date on which the funds are disbursed may differ.

Discussion: In response to the commenters' clarification requests, under the provisions of this regulation, the Secretary considers that a Federal Perkins loan has been "made" when two events have occurred: the borrower has signed the Federal Perkins loan promissory note and the institution makes the first disbursement of loan funds to the borrower under that note. This new definition represents a significant departure from long-standing Federal Perkins Loan Program policy, because under the old policy, each