

DEPARTMENT OF EDUCATION**34 CFR Part 668****Student Assistance General Provisions****AGENCY:** Department of Education.**ACTION:** Reopening of comment period.

SUMMARY: On September 20, 1996, the Department of Education published in the Federal Register a notice of proposed rulemaking (NPRM) for the Student Assistance General Provisions (34 CFR Part 668) regarding standards of financial responsibility (60 FR 49552-49574). The proposed standards would apply to all institutions that participate in a program authorized by title IV of the Higher Education Act of 1965, as amended (title IV, HEA programs), and to third-party servicers that enter into a contract with a lender or guarantee agency to administer any aspect of that lender's or agency's Federal Family Education Loan (FFEL) programs.

Many commenters responding to the NPRM requested that the Secretary extend the comment period to give institutions, higher education associations, and other interested parties more time to evaluate further the proposed ratio methodology and standards, and to prepare substantive comments and recommendations based on that additional analysis. The Secretary agrees that more time is needed to evaluate the proposed ratio methodology and standards, as well as the proposed rules regarding changes of ownership, and that additional public comment would improve the quality of information available for rulemaking. Therefore, the Secretary is reopening for 60 days the comment period for the following parts of the September 20, 1996 NPRM:

- The proposed Subpart L.
- The proposed Appendix F.
- Paragraphs (e)-(h) of the proposed § 668.23 (the repayment standards formerly contained in § 668.24).

DATES: Comments must be received on or before February 18, 1997.

ADDRESSES: All comments concerning this notice or the notice of proposed rulemaking should be addressed to Mr. David Lorenzo, U.S. Department of Education, P.O. Box 23272, Washington, D.C. 20026, or to the following internet address: fin_resp@ed.gov

FOR FURTHER INFORMATION CONTACT: Mr. David Lorenzo or Mr. John Kolotos, U.S.

Department of Education, 600 Independence Avenue, S.W., Room 3045 ROB-3, Washington, D.C. 20202, telephone (202) 708-7888. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern standard time, Monday through Friday.

Background

On November 29, 1996, the Secretary published final regulations amending §§ 668.15 and 668.23 of the Student Assistance General Provisions. In that document, the Secretary indicated that the Department would reopen the comment period for several parts of the September 20, 1996 NPRM. The parts for which the comment period is reopened are indicated above. The Secretary is not reopening the comment period for those parts of the September 20, 1996 NPRM on which final regulations were published on November 29 and which are not listed above.

The Secretary is particularly interested in receiving comments on the following topics. These topics were originally raised in the NPRM and noted by commenters as areas of special concern. The Secretary is seeking additional comment and recommendations on these issues that more fully reflect the commenters' positions:

- The utility and appropriateness of the proposed ratio methodology for evaluating the financial condition of participating institutions. The Secretary is interested in specific comments on how the various ratios may be improved, as well as comments on the weighting mechanism, strength factors, and composite score standard. The Secretary is particularly interested in suggestions that would improve the way the proposed ratio methodology may be used to judge the financial health of an institution that has not incurred debt, given the fact that an institution may have no debt either because it has avoided debt as a management strategy, or because it is in such poor financial condition that it cannot secure credit.

- Ways in which a public institution may demonstrate that it is backed by the full faith and credit of a state or equivalent governmental entity, as an alternative means under which a public

institution may satisfy the statutory requirement that it is financially responsible.

- Ways to streamline the process by which the Secretary determines that an institution may retain or resume participation in title IV, HEA programs during or after a change of ownership. The Secretary is looking for suggestions outlining steps the Department may take to shorten or eliminate funding interruptions to students while protecting title IV, HEA program funds.

- The impact on financial statements of the new accounting standards contained in the Financial Accounting Standards Board's Statements of Financial Accounting Standards 116 and 117. The Secretary particularly requests comments from institutions that have already adopted those new accounting standards.

- Whether the proposed ratio methodology is appropriate for evaluating the financial responsibility of third-party servicers that enter into a contract with a lender or guarantee agency to administer any aspect of that lender's or agency's FFEL programs. Commenters are encouraged to submit concrete suggestions for possible revisions to the proposed ratio methodology and standards, or for an alternative methodology or standards, if the commenters do not agree that the proposed ratio methodology and standards are appropriate for these servicers.

- At present, the Secretary does not have a data base of third-party servicer financial statements to use while evaluating comments on the proposed ratio methodology and standards as they apply to third-party servicers. In order to help the Secretary evaluate comments on the proposed ratio methodology and standards as they apply to third-party servicers, and any suggested revisions or alternatives to the proposed ratio methodology and standards, the Secretary encourages third-party servicers to submit their latest audited financial statement along with their comments.

Dated: December 12, 1996.

David A. Longanecker,
Assistant Secretary for Postsecondary Education.

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