

TABLE 2 Discretionary Factors or Events

The secretary has the discretion to determine an institution to be not financially responsible if the following conditions exist:

Discretionary factor/event	Definition	Reporting requirement
Direct Loan or Pell Grant fluctuation	Significant fluctuation between consecutive award years, or a period of award years, in amount of Direct Loan or Pell Grant funds, or a combination, received that cannot be accounted for by changes in those programs.	None
State licensing or authorizing agency citation	Cited by state licensing or authorizing agency for failing state or agency requirements.	Institution must notify ED no later than 10 days after citation.
Financial stress test	Fails a financial stress test developed by ED to evaluate whether it has sufficient capital to absorb losses that may be incurred as a result of adverse conditions and continue to meet its financial obligations to ED and students.	None
Dropout rates	High annual dropout rates as calculated by the Department of Education.	None
Accreditation status	Placed on probation or issued a show-cause order, or placed on an accreditation status with equivalent or greater risk to its accreditation	Institution must notify ED no later than 10 days after accrediting agency places institution on that status.
Loan agreement violation	Violated a provision or requirement in a loan agreement and a monetary or nonmonetary default or delinquency event occurs, or other events occur, that trigger increase in collateral, change in contractual obligations, increase in interest rates or payments, or other sanctions, penalties, or fees.	Institution must notify ED no later than 10 days after a loan violation occurs, the creditor waives the violation, or the creditor imposes sanctions or penalties in exchange or as a result of the waiver.
Borrower discharge claims	Institution has pending claims for borrower relief discharges.	None
Borrower discharge lawsuits and settlements	ED expects to receive significant number of claims for borrower relief discharge due to lawsuit, settlement, judgment, or finding from a state or federal administrative proceeding.	None