



AACRAO Guidance in Response to Federal-Regulation Changes on Financial Responsibility and Administrative Capability

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New federal regulations regarding withholding transcripts for learners who have used Title IV/HEA funds for their education will go into effect July 1, 2024. The new regulations are posted in the Federal Register under "[Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit](#)" (Docket ID [ED-2023-OPE-0089](#))".

These new federal regulations have caused concern for the AACRAO membership.

In response to questions about the new regulations and the [Department of Education's Dear Colleague letter of May 16, 2024](#), on the same topic, AACRAO has attempted to clarify how, when, and under what circumstances, transcripts may be held by an institution. As such, AACRAO is providing guidance to our members on the use of entire-transcript holds, partial-transcript holds, withholding earned credentials and transcript annotation.

Overview of New Regulation

The federal regulation under this guidance states:

"668.14(b)(33) To provide that an institution may not withhold official transcripts or take any other negative action against a student related to a balance owed by the student that resulted from an error in the institution's administration of the title IV, HEA programs, or any fraud or misconduct by the institution or its personnel;

668.14(b)(34) To require an institution to provide an official transcript that includes all the credit or clock hours for payment periods in which 1) the student received title IV, HEA funds; and (2) all institutional charges were paid, or included in an agreement to pay, at the time the request is made."

A note on payment periods

The federal regulation addresses transcript content within payment periods rather than within terms, semesters or quarters, academic years, and/or the entire transcript.

So what does this regulation and the Dear Colleague letter guidance of May 16, 2024, actually mean for administrators at higher-education institutions?

- If an institutional payment plan has been established and the learner is current on the payments, they are considered to be fully paid for the payment period.
- If a learner has not paid all institutional charges for a payment period, does not have a payment plan in place or the payment plan is not in good standing, the institution is not required to include credits for payment periods on a transcript in which a learner received Title IV/HEA funds.
- An institution is not required to confer a degree or credential to a learner who has not fully paid the amount they owe, unless the institution made an error in its administration of Title IV funds.
- This regulation is retroactive and applies to all learners beginning July 1, 2024, even if the balance owed is from payment periods prior to that date.
- The Department of Education will enforce these requirements through audits and program reviews, and institutions have the right to appeal determinations of noncompliance.

Limitations on Entire-Transcript Holds

Under the new regulations and based on the Dear Colleague letter, entire-transcript holds may *not* be used for:

- Title IV/HEA recipients with a balance for a payment period and for which they have a payment plan in place at the time of the transcript request and for which that payment plan is in good standing.
- Title IV/HEA recipients with a balance owed by the learner that resulted from an error in the institution's administration of the Title IV, HEA programs or any fraud or misconduct by the institution or its personnel.

Allowable Use of Entire-Transcript Holds

There are allowable uses of entire-transcript holds. They may still be used for:

- Title IV/HEA fund recipients for a payment period with a balance **WITHOUT** a payment plan **OR** with a payment plan but it is not in good standing in place at the time of the transcript request (as long as other payment periods were not paid for by Title IV/HEA funds)
- Non-Title IV/HEA learners with a balance.
- Other transcript-hold reasons not related to a balance, as long as the reason does not conflict with the regulation.

Differentiating Partial Transcripts from Partial-Transcript Holds

The regulation does not address an institution's use of partial-transcript holds. The terms *partial transcripts* and *partial-transcript holds* are sometimes used interchangeably. However, they have distinct meanings.

- a *partial transcript* involves releasing only a selected portion of a learner's complete academic history
- a *partial-transcript hold* involves withholding specific information from a transcript

With a *partial transcript*, an institution allows a learner to release only a portion of their academic history. For example, a learner who has an undergraduate and graduate academic history at an institution may choose to release only their undergraduate history or only their graduate history.

With a *partial-transcript hold*, certain information from a learner's transcript may be suppressed by the institution. This can include many withholding practices, such as holding:

- final grades for a specific term
- an earned credential
- the entire content of a term, including course subject, course number, course title and final grades

This guidance refers to *partial-transcript holds* only.

AACRAO's Position on Partial-Transcript Holds

AACRAO takes the position that it is in the best interest of the learner for completed and in progress course details to be visible on the transcript, with the understanding that certain administrative procedures may result in a suppression of the final grade for the course (e.g., course graded as incomplete, in-progress courses, academic renewal or forgiveness). It is the association's position that the suppression of all details for entire semesters of coursework creates undue barriers to learner progression and should be avoided.

Since partial-transcript holds are allowed by regulation, AACRAO aims to establish a uniform framework for their use. This includes recommendations for updating related policies, practices and documents, such as transcript keys, academic catalogs, grading policies and student handbooks. It also offers direction for educational institutions receiving transcripts with partial holds and helps them discern if the transcript they receive reflects the entire academic work of a learner.

As with other policies, AACRAO believes any practice and policy related to the use of partial-transcript holds should treat all learners equally. Self-pay learners, international learners, veteran's educational benefits recipients, and other learner populations should be treated no differently from those funded by Title IV/HEA funds with respect to unpaid

balances, and any type of transcript hold. This means that if an institution chooses to employ partial-transcript holds to manage learner debt, this policy should be uniform across all learner populations. We strongly support using the standardized practice described below for implementing partial-transcript holds. It is similar to the standardized transcript practices for other processes, such as when a learner earns a grade of incomplete and when a course is still in progress. Such consistency promotes equity and transparency for the learner and is simpler for staff to communicate and administer. Standardized practices help maintain the integrity of records, regardless of the issuing institution, and contribute to the trustworthiness of official transcripts among institutions, employers, licensing agencies, and accrediting bodies.

Recommendations for Implementing Partial-Transcript Holds

The recommendations included below are being made by AACRAO, with input from members and other higher-education experts. We believe these recommendations comply with the new regulations as written. However, this guidance may be updated if the Department of Education provides clarification that contradicts our recommendations.

- Before using partial-transcript holds, review any state regulations. If your state has such regulations, check for provisions related to using partial-transcript holds. Currently, the Department of Education has not provided guidance on how to handle situations in which federal regulations conflict with state regulations.
- As you navigate the process of implementing a policy for using partial-transcript holds, consult with various institutional departments to ensure alignment with relevant policies, procedures, and technology, including:
 - Financial Aid
 - Veterans Educational Services, especially School Certifying Officials (SCOs)
 - International Student Services, especially the Principal Designated School Official (PDSO); and
 - The Bursar, cashier or other appropriate administrator in a Business Office

Creating and Working with Partial-Transcript Holds for Outbound Transcripts

Recommendations are aimed at creating a process similar to the transcript practices currently used by most institutions for incomplete grades and/or courses in progress.

- Create a new grade code to indicate a grade is withheld for an outstanding balance or an administrative reason.
- Ensure the grade code is not included in any grade, credit, term or cumulative total calculations, such as GPA, attempted hours, earned hours or content visible for the in-progress semester.
- Include all applicable courses on a transcript for the payment period in question.

- Create a process for tracking grades a learner earned for each use of a partial-transcript hold.
- Create a process for how grades will be updated once an unpaid balance has been resolved or a payment plan is established and in good standing.
- Create a process for how a learner (or other identified recipient of a transcript) will receive an updated official transcript.
- Create a report or script to identify learners for which a partial-transcript hold may be used in compliance with federal regulations and any applicable state regulation.
- Update the transcript key (legend, guide) with electronic-transcript providers and hardcopy providers.
- Set standardized transcript annotation practices, if applicable and allowable under current state regulations (see below).
- Update appropriate sections of an institution's academic catalog, student handbook and/or website, as needed.
- Share changes in policy and practice with internal stakeholders through multiple channels.
- Communicate clearly and often with learners about unpaid balances, including:
 - the process for resolving an unpaid balance
 - the process of entering into a payment plan, if applicable
 - explaining what a partial-transcript hold is and how it may impact practices at a receiving institution, licensing agency or employer
 - initiate other actions an institution might take, such as sending the debt to a collection agency, and what that means for a learner
- Share changes in policy and practice with your institution's primary transfer partners.

Identifying and Working with Partial-Transcript Holds for Admissions, Advising, Registration and Transfer Articulation

These recommendations are aimed at creating a process to deal with inbound transcripts with partial-transcript holds.

- Collaborate with primary transfer partners to determine whether those institutions will use partial-transcript holds.
- Establish processes and policies for handling transcripts with partial-holds that are consistent within your institution.
- Train those who deal with transcripts how to identify the use of partial-transcript holds from institutions that are not your primary transcript partners. For example, these can include missing semesters in a list of sequential semesters on the transcript and/or the use of a transcript notation.
- Adapt current processes and practice for tracking and updating incomplete transcripts to include scenarios for partial-transcript holds
- Once you have received an updated transcript with final grades, re-evaluate it.
- Update all relevant policies and practices.

Note: It is more common for the most recent term of enrollment to be the one suppressed due to an unpaid balance, but it may not be the only term to which this practice applies.

Guidance on Withholding Earned Credentials

The Dear Colleague letter guidance from the Department of Education on May 16, 2024, provided answers to some questions posed by the higher-education community. The Department addressed the question of whether it is permissible to withhold a credential from a learner who has an unpaid balance, irrespective of their Title IV use for payment periods with unpaid balances. Below is their counsel.

"The regulations only require institutions to provide a student with an official transcript that includes all the credits that the student earned for periods in which the student received Title IV funds and for which all institutional charges were paid (or were included in an agreement to pay). The regulations never require an institution to confer a degree or other credential to a student who has not fully paid the amount they owe to the school (unless the institution made an error in its administration of Title IV funds, in which case 34 CFR 668.14(b)(33) applies)." - *U.S. Department of Education Dear Colleague letter May 16, 2024.*

Guidance on Transcript Annotation

Neither the regulation nor the Dear Colleague letter provide guidance on transcript annotation. Absent any guidance from the Department of Education, it is recommended an institution seek legal counsel before deciding whether to pursue this practice.

Conclusion

This guidance document provides recommendations in compliance with new federal regulations and emphasizes the importance of consistent, equitable practices for all learners. As institutions navigate these changes, consulting with relevant departments, legal counsel, and transfer partners is crucial to ensure a smooth transition.

By following guidelines and maintaining clear communication with learners, transfer partners, employers, and licensing bodies, institutions can uphold the integrity of academic records while adhering to regulatory requirements.