Financial Responsibility Standards – Technical Corrections

The Department of Education has published new Financial Responsibility Standards (FRS) reporting requirements stemming from both changes in accounting standards and recommendations made by the higher education community.

The guidance provides clarifications and direction regarding how to treat long-term leases, updates to the eZ Audit templates (expected spring 2020), and an explanation of long-term debt treatment. The guidance also provides a few examples of sample institutions to help guide decision making.

The changes result from the conversations and recommendations promulgated by the Financial Responsibility Subcommittee during the recent negotiated rulemaking regarding borrower defenses to repayment.

While the technical changes were both necessary and welcomed, the regulations do not tackle the underlying problems of the financial responsibility composite scores. A full negotiated rulemaking panel would need to be convened to fully reform the flawed FRS model.

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