

School Closures in Kentucky – Lessons Learned

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Kentucky Council on Postsecondary Education

Mid-Continent University

- **Nov. 2010** – USDOE does a site visit at Mid-Continent University (MCU) as part of a program review.
- **Nov. 2010 to Dec. 2012** – CPE has discussion with MCU regarding approval of extension sites.
- **Dec. 2012** – SACSCOC puts MCU on Warning Status.
- **Aug. 2013** – USDOE puts MCU on Heightened Cash Monitoring 2 (HCM2) status.

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What is the impact of HCM2?

- Schools may be placed on HCM1 or HCM2 because of virtually any compliance issue. Some schools are on this list due to preliminary findings made during a program review that is still open.
- Schools placed on HCM2 no longer receive funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted to the USDOE.
 - Must provide credit balance payments.
- A school may submit a reimbursement request only once during any 30-day period.

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- **Aug. 2013 to Feb. 2014** – Periodic checks with MCU, USDOE and SACSCOC regarding status. MCU says they are in contact with USDOE almost daily regarding the current processing of federal financial aid.
- **Feb. 14, 2014** – CPE learns MCU has been unable to substantiate any draws of federal financial aid since being placed on HCM2 and has serious concerns about its viability.
- **April 14, 2014** – CPE learns that MCU has not made financial aid disbursements for student credit balances; therefore, no Title IV disbursements can be made.
- MCU decides to close, effective **August 1, 2014**.
 - Finds resources to teach out the semester and some summer courses to graduate some students.
- MCU still “operating” in bankruptcy to wind up its affairs and collect receivables.
 - MCU still houses its student records and fills transcript requests.



Mid-Continent University

Degree Completion and Teach-out Agreements:

- 1,972 total enrollment at closure, 427 of which graduated in spring or summer.
- 3 teach-out agreements with full program alignment. 2 included full residency requirement waiver approved by SACSCOC, 1 waived more stringent institutional residency requirement.
- Of the 1,545 remaining, 838 transferred (54%) the next fall (651 to private colleges and 187 to public).

Kentucky Attorney General Agreement:

- All outstanding Title IV reimbursements become debt owed by the students to the institution.
- KY Attorney General sought to ensure students were in the same position they would have been in had the funding been provided by the USDOE.
- No repayment of grants; loan terms the same including closed school discharge.



St. Catharine College

- Placed on HCM2 in Jan. 2015 during a site visit.
- Were able to substantiate most requests for funding through 2015.
- Encountered some issues with a 6th draw in late fall of 2015. In early Feb. 2016 received partial reimbursement.
- St. Catharine filed suit against USDOE on Feb. 22, 2016.
- In early June 2016, St. Catharine decided to close effective Aug. 10, 2016. A few summer classes were taught in order to confer final degrees.
- Teach-out agreements were secured in all disciplines.
- Student records were digitized and transferred to Parchment.
- A receiver was appointed for all St. Catharine property on behalf of bondholders. Receiver is responsible for winding up the affairs of St. Catharine.
- CPE worked with the receiver to use a letter of credit held by CPE for protection of unearned tuition to supply students with refunds of money St. Catharine owed to them.



What can institutions do to protect against unexpected closure for financial reasons?

Pay attention to Title IV compliance!

- Hire competent staff and ensure they remain properly trained.
- Conduct periodic independent compliance audits.
- Create a compliance protocol (engage an expert third party if necessary).
- If the USDOE gives you notice that a problem might exist, do what it takes to fix it.
- Other than students, the USDOE is often an institution's biggest client.
- Make sure your constituents understand how important this is.

Maintain reserves to bridge the gap in the event Title IV disbursements are withheld.

Inform boards of trustees of any potential issues and how important it is to resolve them immediately.



How can regulators help protect against unexpected closure for financial reasons?

- Maintain a **good relationship** with your USDOE regional office.
 - Make sure you are copied on all correspondence regarding any potential sanctions or issues that could impact the financial viability of the institution.
- Maintain an **open dialogue** with officials from the institutions and require periodic formal updates.
- **Copy board chairs** and institutional **presidents** on official correspondence.
- Require institutions maintain **appropriately trained staff**.



What can institutions do when closure is potentially on the horizon?

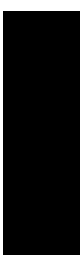
- Create a plan for closure and notify accreditor and state regulators.
- Secure articulation/teach-out agreements.
- Secure staff for degree audits, reconciling of student accounts, completing courses and student access to records.
- Determine your communication plan with faculty, staff, students, and the community.
- Secure permanent maintenance of student records.
- "These issues don't go away once you are closed."



What can regulators do when closure is imminent or potentially on the horizon?

- Maintain regular dialogue with institutions.
- Help facilitate articulation/teach-out agreements.
- Provide some form of student financial protection.
 - “Unearned tuition coverage”
 - Student protection funds
- Secure permanent maintenance of student records.
 - Surety bonds
- Facilitate transfer fairs (in the event of closure).
- Set up communication lines with students and parents.
- Partner with your state consumer protection agencies.





QUESTIONS OR COMMENTS?
