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# **A New Model for Higher Education Quality Assurance:**

## **An Overview of the GI Bill® Risk-Based Review Pilot**

**EducationCounsel**  
Policy | Strategy | Law | Advocacy



# Dangers to Students from Risky Schools

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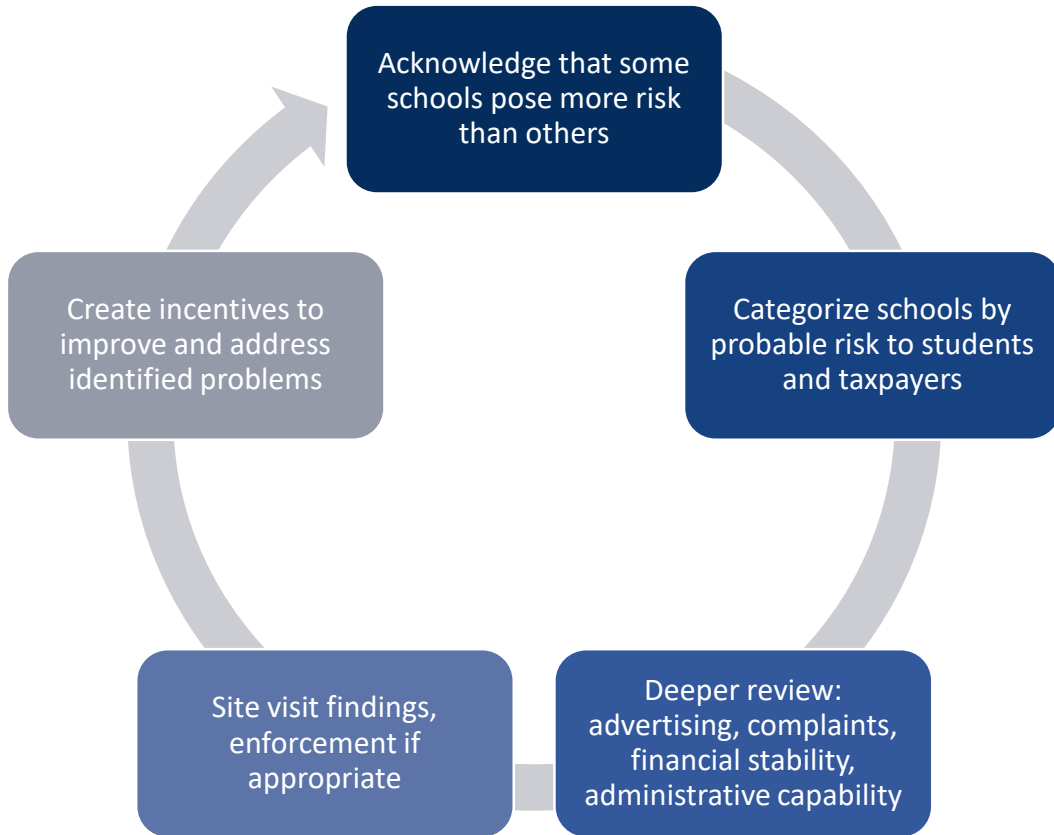
Large schools closing without warning have made big headlines the past several years—but schools can harm students in less obvious ways:

- More than half of institutions left the majority of their students earning less than \$28,000—the typical salary of a high school graduate.
- More than 1,800 institutions graduate less than 50% of their students, even after eight years.
- Some are particularly low-performing: More than 500 institutions leave 75% of students without any certificate or degree.

# The State Approving Agencies

- State Approving Agencies (SAAs) are responsible for the review and approval of higher education institutions.
- SAAs are state agencies that operate under contract with VA to oversee schools through compliance surveys
- Concerns from advocates and VA OIG on effectiveness of these surveys
- The Colmery Act in 2017 instituted risk-based reviews, but little progress was made in the following years
- Johnny Isakson and David P. Roe, M.D. Veterans Health Care and Benefits Improvement Act of 2020 passed at the end of the Trump Administration integrated key elements into federal law. Set the bar for Risk Based Surveys.

# Need for Risk-based Quality Assurance System



## Project Goals:

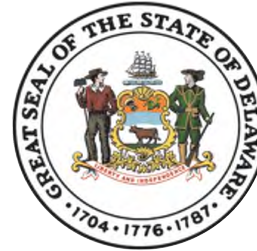
- Use meaningful metrics to identify risks in order to make sure veterans are well served, and to safeguard taxpayer funds
- Conduct data-based comprehensive and veteran-centric site visits
- Build relationships with federal and state regulators and accreditors
- Create a consistent national oversight model

# Pilot SAAs and Advisory Council

## Who are the voices of the Advisory Council?

- Veteran Advocate Groups
- Student Advocate Groups
- Accreditors
- State Authorizers
- Institutional Leaders
- Policy Advocates
- SAAs

## SAA Pilot States



Texas

New York

Virginia

Illinois

Delaware

Nevada

# Pilot Model Overview



Separate schools into three priority levels based on risk screen using public data



For selected schools, SAA sends request for data and documents in advance to prepare for site review



Site visit includes classroom observation, student interviews, and inquiries based on pre-visit data review



Summary to the facility, report to VA and referrals made to affiliated agencies

**Priority 1**

Deeper Risk Based Review

- Additional Private Data Requests
- Report open state, federal, or authorizing entity investigations
  - GI bill® recipient complaints
  - Financial records, advertising, transcripts

Additional Steps

- Focus resources primarily on deeper review of these schools
- Request for further documentation
- Site visit is scheduled

**Priority 2**

Review As Needed

- Additional Private Data Requests
- Report open state, federal, or authorizing entity investigations
  - GI bill recipient complaints and financial information

Additional Steps

- Review some schools, especially those with higher risk scores
- Request for further documentation
- Propose site visit if necessary

**Priority 3**

Additional Steps

- Review few of these programs
- Request for further documentation if concern arises

# Pilot Model: Risk Based Filter Overview

Mean 8.007  
Median 7.778  
StdDev 3.507

	Count	Pct
<b>Priority 1</b>	6	16.67%
<b>Priority 2</b>	20	55.56%
<b>Priority 3</b>	10	27.78%

FACC	UNITID	OPEID	OPEID6	INSTNM	STATE	AdjRiskScore	Z-score	PriorityLvl
100001	200001	300001	400001	School A	AB	17.000	2.5642	Priority 1
100002	200001	300001	400001	School B	AB	16.176	2.3294	Priority 1
100003	200001	300001	400001	School C	AB	14.519	1.8566	Priority 1
100004	200001	300001	400001	School D	AB	12.444	1.2652	Priority 1
100005	200001	300001	400001	School E	AB	12.000	1.1385	Priority 1
100006	200001	300001	400001	School F	AB	10.500	0.7107	Priority 1
100007	200001	300001	400001	School G	AB	9.852	0.5259	Priority 2
100008	200001	300001	400001	School H	AB	9.706	0.4843	Priority 2
100009	200001	300001	400001	School I	AB	9.563	0.4434	Priority 2
100010	200001	300001	400001	School J	AB	9.500	0.4256	Priority 2
100011	200001	300001	400001	School K	AB	9.422	0.4034	Priority 2
100012	200001	300001	400001	School L	AB	9.422	0.4034	Priority 2
100013	200001	300001	400001	School M	AB	9.333	0.3781	Priority 2
100014	200001	300001	400001	School N	AB	8.833	0.2355	Priority 2
100015	200001	300001	400001	School O	AB	8.667	0.1880	Priority 2
100016	200001	300001	400001	School P	AB	8.438	0.1226	Priority 2
100017	200001	300001	400001	School Q	AB	8.296	0.0824	Priority 2
100018	200001	300001	400001	School R	AB	7.778	-0.0655	Priority 2
100019	200001	300001	400001	School S	AB	7.778	-0.0655	Priority 2
100020	200001	300001	400001	School T	AB	7.778	-0.0655	Priority 2
100021	200001	300001	400001	School U	AB	7.549	-0.1307	Priority 2
100022	200001	300001	400001	School V	AB	7.259	-0.2133	Priority 2
100023	200001	300001	400001	School W	AB	7.000	-0.2873	Priority 2
100024	200001	300001	400001	School X	AB	6.741	-0.3612	Priority 2
100025	200001	300001	400001	School Y	AB	6.682	-0.3780	Priority 2
100026	200001	300001	400001	School Z	AB	5.889	-0.6041	Priority 2
100027	200001	300001	400001	School AA	AB	5.392	-0.7457	Priority 3
100028	200001	300001	400001	School AB	AB	5.231	-0.7918	Priority 3
100029	200001	300001	400001	School AC	AB	5.000	-0.8576	Priority 3
100030	200001	300001	400001	School AD	AB	4.577	-0.9782	Priority 3
100031	200001	300001	400001	School AE	AB	4.333	-1.0477	Priority 3
100032	200001	300001	400001	School AF	AB	4.314	-1.0532	Priority 3
100033	200001	300001	400001	School AG	AB	3.269	-1.3511	Priority 3
100034	200001	300001	400001	School AH	AB	3.000	-1.4278	Priority 3
100035	200001	300001	400001	School AI	AB	2.944	-1.4437	Priority 3
100036	200001	300001	400001	School AJ	AB	2.083	-1.6892	Priority 3

## **Pilot Model: Developing the Risk Based Filter**

**Compile available data for all facilities  
under SAA jurisdiction**

### **Publicly available metrics**

- Enrollment change over one and two years
- Veteran enrollment
- Tuition change over one and two years
- Average total net price to students
- Total complaints reported to the VA
- Heightened Cash Monitoring status
- Three-year cohort default rate
- Completion rate - total and disaggregated by student group  
(With comparisons by Pell recipients and for Black and Latino students)
- Full- and part-time retention rate
- Ratio of graduate earnings to state high school graduate earnings
- Percent of revenue spent on instruction

### **SAA-provided metrics**

- Multi-state facilities
- Newly approved facilities
- Recent change of ownership
- Recent expanded audit or training  
by SAA
- Recent suspension
- Recent withdrawal

**Pilot Model:  
Developing the Risk  
Based Filter**

**Determine descriptive statistics for each  
indicator**

	<b>Enrollment Change</b>	<b>Instr. Spending Ratio</b>	<b>State Earn. Ratio</b>	<b>Avg. Net Price</b>
<b>Mean</b>	-2.0%	0.7	1.5	\$17,350
<b>Std. Deviation</b>	-0.3%	0.3	0.4	\$7,500
<b>10<sup>th</sup> Percentile</b>	-26.0%	.25	0.8	\$6,800
<b>25<sup>th</sup> Percentile</b>	-12.5%	.35	1.1	\$10,900
<b>75<sup>th</sup> Percentile</b>	4.5%	1.1	1.8	\$22,500
<b>90<sup>th</sup> Percentile</b>	22.0%	1.4	2.0	\$26,200

**Pilot Model:  
Developing the Risk  
Based Filter**

Assign each school a risk score within  
*each metric*

School	Enrollment	Score	Instr. Spending	Score	State Earn.	Score	Net Price	Score
A	25.0%	1.5	0.7	1.0	1.1	1.0	\$40,350	1.5
B	1.0%	0.0	1.1	0.5	1.4	0.0	\$6,000	0.0
C	16.5%	1.0	.85	1.0	1.0	1.5	\$6,800	0.0
D	-13.0%	1.0	1.3	0.0	1.1	0.5	\$12,000	0.5

**Pilot Model:  
Developing the Risk  
Based Filter**

**Sum risk scores across all metrics and  
calculate a cumulative risk score for each  
institution**

School	Enrollment	Score	Instr. Spending	Score	State Earn.	Score	Net Price	Score	Total
A	25.0%	1.5	0.7	1.0	1.1	1.0	\$40,350	1.5	5.0
B	1.0%	0.0	1.1	0.5	1.4	0.0	\$6,000	0.0	0.5
C	16.5%	1.0	.85	1.0	1.0	1.5	\$6,800	0.0	3.5
D	-13.0%	1.0	1.3	0.0	1.1	0.5	\$12,000	0.5	2.0

**Pilot Model:  
Developing the Risk  
Based Filter**

**Calculate distribution of cumulative risk  
scores (standard deviation and z-scores)**

<b>School</b>	<b>Final Risk Score</b>	<b>Z-score*</b>
<b>A</b>	<b>5.0</b>	<b>1.2</b>
<b>B</b>	<b>0.5</b>	<b>-1.5</b>
<b>C</b>	<b>3.5</b>	<b>0.8</b>
<b>D</b>	<b>2.0</b>	<b>0.4</b>

**Pilot Model:  
Developing the Risk  
Based Filter**

**Use state distribution of outcomes to  
determine thresholds and assign priority  
levels (1, 2, or 3)**

Priority Level	Cutoff Risk Score
Priority 1	3.7
Priority 2	2.1
Priority 3	1.2

School	Risk Score	Priority Level
A	5.0	Priority 1
B	0.5	Priority 3
C	3.5	Priority 2
D	2.0	Priority 2

# Pilot Model: Risk Based Filter Overview

Mean 8.007

Median 7.778

StdDev 3.507

Count

Pct

**Priority 1**

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16.67%

**Priority 2**

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**Priority 3**

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# Data and Document Request

- Each school identified was asked to provide a set of materials.
- Documents requested included: Advertisements and recruiting materials; student complaints, financials, 90/10 and 85/15 compliance, and pending investigations.
- SAAs then evaluated the data and prepared for the site visit focusing on the issues identified.

FINANCIAL SOUNDNESS TEMPLATE			
<b>Basic Institutional Information</b>			
Institution Name:			
Point of Contact Name:			
Email:			
Phone:			
<b>Form Submission Checklist</b> - Type YES in each cell below to verify that you have submitted all requested financial documents found in the Glossary tab.			
<b>Form</b>	<b>2020</b>	<b>2019</b>	
<a href="#">Prepared Financial Statement(s)</a>			
<a href="#">Balance Sheet</a>			
<a href="#">Income Statement</a>			
<a href="#">Cash Flow Statement</a>			
<a href="#">Compiled Financial Statement(s)</a>			
<a href="#">90/10 Documentation</a>			
<a href="#">IRS Form 990</a>			
<a href="#">Other Submitted Federal and/or State Tax Forms</a>			
<b>Financial Data and Indicators</b> - Please enter the requested information in each of the highlighted cells below. Relevant tab.			
<b>Assets</b>	<b>2020</b>	<b>2019</b>	
<a href="#">Current assets</a>			
<a href="#">Cash and cash equivalents</a>			
<a href="#">Accounts receivable, net</a>			
<a href="#">Pledges receivable</a>			
<a href="#">Lines of credit</a>			
<a href="#">Capital assets, net</a>			
<a href="#">Other noncurrent assets</a>			
<b>Total assets</b>	<b>\$0.00</b>	<b>\$0.00</b>	

# Site Visit

- SAAs tour the facility, observe classroom instruction, interview students, and make inquiries of relevant staff based on pre-visit data reviewed.
- SAAs then make a qualitative assessment of factors that cannot be reviewed off-site

## ON-SITE/VIRTUAL REVIEW

EQUIPMENT	YES	NO	N/A
Do the equipment, lab, and classroom materials, all appear satisfactory and appropriate for a learning environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the environment conducive to learning including satisfactory basic health and safety standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there any clear differences in environments that are being offered to various types of students?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If applicable, does the school have current equipment would see in the field?			
Are there enough learning stations for the student population?			
Is there any additional equipment or materials that you would like to see?			

A. Advertising	
For each unique advertisement or website please answer the following questions. For each "Yes" answer, make sure to check the accuracy of the statement. (If applicable, please provide a link to the advertisement or website.)	
Do materials reference high demand in the field; job placement rates; job likelihood; or jobs being "virtually" guaranteed? ("Our graduates are in demand at top companies!")	
Do materials reference likely earnings in the field? ("Earn up to \$50,000 in the first year!")	
Do materials reference relationships or partnerships with local, regional or national employers? ("We partner with companies like Amazon and Oracle!")	
Do materials reference the type of accreditation it has or suggest its accreditation is good/better? ("College of the Mountains is nationally accredited!" or "College of the Sea is accredited by the same organization as Harvard.")	
Do materials reference ratings? (Our school is ranked #2 by best colleges in Virginia)	
Do graduation and placement rates seem high? (95% of our graduates placed!)	

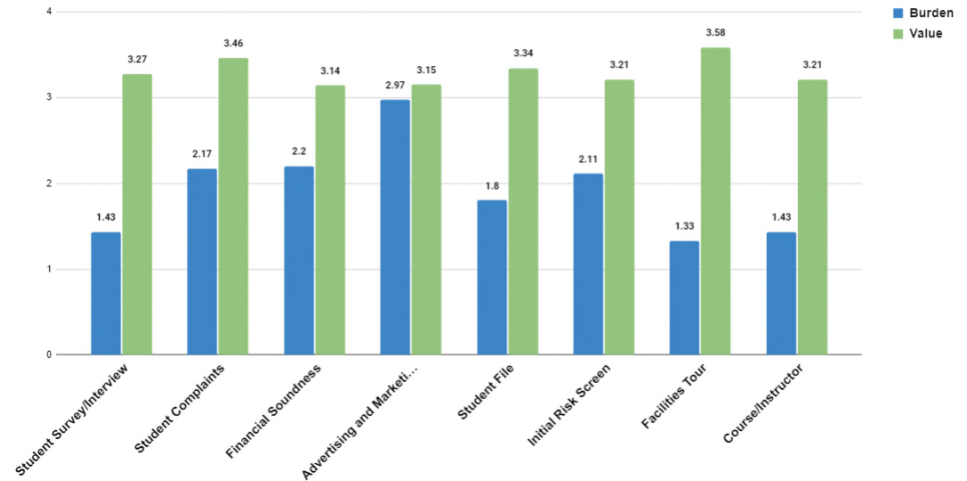
Complaints about cost (tuition, fees, unexpected costs, unavailable aid, loans they weren't informed about, private loans from the school provided to satisfy tuition costs)
Complaints about administration (transcripts, course availability, scheduling, inadequate facilities, lack of tutoring, lack of counseling, poor quality equipment, couldn't get needed clinical)
Complaints about recruiting/consumer protections (isn't what was promised, couldn't get a job, couldn't transfer, couldn't get a job in the field, told it was highly rated, didn't earn enough to repay the debt)
Complaints about course quality/faculty/grading (teacher not prepared, unclear instructions, inconsistent grading, etc.)

# What We Learned: It Works

- Risk-based quality assurance would be a more impactful and cost-effective model
- Strong support from the participating SAAs
- Reviews identified areas of concern
- Schools generally provided information in a timely manner
- SAAs appreciated the ability to take a more comprehensive approach to review
- Referrals to other agencies is new to most SAAs; they will need to build relationships with accreditors and other regulators
- This model is scalable and replicable
- It saves time and money for low-risk facilities

## SAA-Reported Burden to Value Analysis of Reviews

Scale of 0-4 (0=low burden/value; 4=high burden/value)



# Comparing Compliance to Risk-based, Outcomes-focused Reviews

This approach identifies areas of concern that directly impact student veterans' ability to complete programs and increase their earnings and provides a more effective process to judge if a school is posing a financial risk to both veterans and taxpayers.

	Compliance survey	Risk-based review
<b>Facility selection</b>	Schools chosen at random, or using qualitative factors like size or sector type without regard to risk presented	Schools chosen using quantitative, publicly available metrics
<b>Review Capability</b>	Small number of facilities reviewed because of limited staff capacity, and random selection means many did not merit review	Small number of facilities reviewed because each review is deeper and more comprehensive, but risk screen ensures that most or all schools merit review
<b>Documents/ data reviewed</b>	No data or documents reviewed in advance	Robust data and document requests made of schools <i>in advance</i> of site visit based on insight from risk data to allow SAAs a week or more to review and prepare questions before site visit; documents provided include information about finances, complaints, administrative capability, and other areas beyond student files
<b>On site review</b>	Most time spent reviewing student files; some limited interviews of staff if they happen to be available that day; no prepared questions possible because documents not reviewed in advance	SAAs come prepared with questions based on documents reviewed and ensure ahead of time that relevant staff will be present. Time is not spent reviewing documents; instead SAAs tour facilities, observe classes, and conduct interviews with staff
<b>Findings</b>	Only findings reasonably likely are compliance errors found in student files, e.g. GI Bill payment errors	SAAs are now capable of substantiating findings across all relevant lines of inquiry that could impact students and taxpayers, and can explain those findings to the school using its own data to demonstrate how it should improve

# Response from the Pilot SAAs

- The only parties that had first-hand accounts of the way the old process works and the new pilot model are the six pilot SAAs—and their feedback was overwhelmingly positive
- This will be important in demonstrating the value of this work to other state actors, regulators, and oversight bodies, given that their peer regulators are such positive advocates of this type of model

*This new type of review where we examine a wider range of data and information has resulted in me having **conversations with the schools I oversee that I have never had before.***

*When I think about compliance surveys compared to the new risk-based process, it felt like I had **blinders on that I've finally been able to take off.***

*One school noted that questions asked were **unlike accreditation—in a good way**—and we looked at areas that are not covered in other reviews.*

*During this review, most of my facilities had limited student record errors and in a compliance survey there would have been few to no findings. However, as a risk-based survey the **majority of my schools had an area to improve on or an area of concern that required action.***

# Risk Screen Predictions of Site Visit Findings - Overall

Indicator	Correlation coefficient
<b>Student complaints</b>	
Higher rates of complaints made to federal and state oversight entities	r = .19
Higher rates of complaints made to consumer agencies	r = .37
Higher rates of complaints about costs	r = .45
Higher rates of complaints about recruiting practices	r = .79
Lower likelihood of institution resolving complaints	r = -.32
Null prediction: Complaints made to the institution	r = -.01
<b>Financial Health</b>	
Lower total current assets, both current and prior FY	r = -.07
Lower net worth, both current and prior FY	r = -.07
Lower amounts of cash and cash equivalents, current FY	r = -.06

Indicator	Correlation coefficient
<b>Advertising, marketing, and misrepresentation</b>	
Likelier to contract with third party lead generation advertising	r = .28
Likelier to contract with third party lead generation website	r = .17
Advertising likelier to make assurances about job placement	r = .20
Likelier to use advertising with misleading military affiliation/endorsement	r = .37
<b>Administrative capability</b>	
Failure to award credit for prior coursework	r = .45
Less likely to have records of high school completion	r = -.32
Less likely to charge students proper published tuition	r = -.10

# Risk Screen Predictions of Site Visit Findings – Student Complaints

Indicator

Correlation coefficient

## Student complaints, oversight investigations, and accretor actions

Higher rates of complaints made to federal and state oversight entities

$r = .19$

Higher rates of complaints made to consumer agencies

$r = .37$

Higher rates of complaints about costs

$r = .45$

Higher rates of complaints about recruiting practices

$r = .79$

Lower likelihood of institution resolving complaints identified

$r = -.32$

Null prediction: Complaints made to the institution

$r = -.01$

# Risk Screen Predictions of Site Visit Findings – Advertising and Admin Capability

## Indicator

## Correlation coefficient

### Advertising, marketing, and misrepresentation

Likelier to contract with third party lead generation advertising

$r = .28$

Likelier to contract with third party lead generation website

$r = .17$

Advertising likelier to make assurances about job placement

$r = .20$

Likelier to use advertising with misleading military affiliation/endorsement

$r = .37$

### Administrative capability

Failure to award credit for prior coursework completed

$r = .45$

Less likely to have records of high school completion on file

$r = -.32$

Less likely to charge students proper published tuition

$r = -.10$

# Risk Screen Predictions of Site Visit Findings – Financial Health

Indicator	Correlation coefficient
<b>Financial Health</b>	
Lower total current assets, current and prior FY	r = -.07
Lower amounts of cash and cash equivalents, current and prior FY	r = -.06
Lower net worth, current and prior FY	r = -.07

Indicator	Lower total current assets	Lower cash and equivalents	Lower net worth
Lower completion rate	r = -.37	r = -.36	r = -.38
Lower completion rate – Pell recipients	r = -.35	r = -.32	r = -.37
Higher net price	r = -.39	r = -.37	r = -.32
Larger YoY change in tuition	r = -.43	r = -.40	r = -.13
Bigger increases/decreases in enrollment	r = -.25	r = -.26	r = -.18
Higher cohort default rates	r = -.06	r = -.07	r = -.25

# Risk Screen Predictions of Site Visit Findings – Oversight Actions

Indicator	Correlation coefficient
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## Student complaints, oversight investigations, and accreditor actions

Null prediction: Institution placed on accreditation probation	$r = .03$
Null prediction: Under investigation by oversight entity in last three years	$r = -.004$

Indicator	Under investigation by oversight entity in last three years	Indicator	Institution placed on accreditation probation
Lower rates of earnings above high school graduates	$r = .62$	Heightened cash monitoring status	$r = .39$
Higher incidence of VA-reported complaints	$r = .37$	School ownership changed in past year	$r = .39$
Wider completion gap between white and Latino students	$r = .22$	Cohort default rate	$r = .17$
School ownership changed in past year	$r = .24$		

# Initial Policy Recommendations – Department Rulemaking

## Gainful employment

Use of college scorecard earnings metric supported by correlations with site visit findings

Site visit finding	Correlation with earnings metric
Investigations by state or federal oversight entity	$r = .62$
Complaints made to oversight entities	$r = .35$
Complaints made relating to academic quality	$r = .39$

## Financial responsibility

Adding at least five publicly-available metrics to the list of discretionary financial risk triggers: Lower completion rate, Lower completion rate – Pell recipients, Higher net price, Larger year-over-year change in tuition, and Bigger changes in enrollment.

***Require all institutions triggering financial responsibility to complete financial soundness worksheet.***

## Institutional certification

- Require ED's selection of program reviews and duration of institutional certification be based on risk
- Require that institutions provide specified and regularized data submission (including advertising, finances, enrollment scripts, complaints, lawsuits, and state and federal enforcement activity)

# Initial Policy Recommendations – FSA, Accreditors, State Authorizers

## **FSA Oversight and Enforcement**

- Review compliance and enforcement functions to determine whether any of these findings give rise to updates/adjustments to existing institutional selection model(s)
- Ensure FSA risk model includes nonpublic information such as student loan debt and repayment data, financial composite scores, borrower defense claims, complaints made to FSA or ED more generally, ongoing investigations by OGC and OIG, and other indicators
- Evaluate FSA site visit findings and data collections to fine-tune risk model and provide guidance to other regulators on your own findings to help improve their models
- Consider whether to integrate any elements from our information collection processes: financial soundness worksheet, advertising and lead generation reporting, identification of lawsuits/enforcement activity/law enforcement investigations, and complaints to various regulatory and licensing bodies

## **Accreditors and State Authorizers**

- Implement the use of a risk-based model to evaluate institutions and maximize limited resources
- Require deeper reporting from risky institutions using our sample forms or similar tools; ideally agree upon standardized reporting to minimize burden and improve data sharing across agencies