

Pressure Point: School Closures



In the past few years, there has been an increase in closures, consolidations, and teach-outs. Closures usually fall into one of three categories:

Sudden But Controlled and Responsible

- A school is facing significant financial matters and needs to close within some period of time (weeks to months) and works to find teach-out options for students.

Long Term Planned Closure

- A school, as part of a strategic plan or consolidation, decides to close one of more of its locations.
- Typically the school teaches out its own students and then closes.

Precipitous

- School locks its doors and doesn't inform students.
- Precipitous school closures tend to unfold rapidly, place tremendous stress on each member of the triad, and require significant collaboration.

Crucial Connections: An Accreditation Perspective



- An Accreditation Perspective



The expectations of accreditors by the federal government are changing.

- Accreditors are subject to far greater federal oversight than at any time in the past.

This impacts, but does not necessarily drive, changes in the expectations for accredited institutions as defined in accrediting standards, policies and practices

- Independent Third Party Verification of Placement
- Transparency/Disclosure Initiatives for Accreditors and Schools
- Unannounced Visits

Accreditors keenly aware of the important role that accreditation plays as a gate-keeping entity in the triad

- Accreditors recognize that questions remain from policy members, regulators, and the general public regarding whether accrediting agencies, in particular, have been living up to our collective responsibilities, and whether or not accreditation has the appropriate level of rigor.

- An Accreditation Perspective



There is significant interest in learning more about the value and role of accreditation

- In FY 2013, ACCSC, certainly not the largest accreditor, received 256 agency notices
- Multi-faceted requests/demands at the state and federal level for information on accreditation and accredited institutions

Accreditation, alone, is not equipped to provide the level of quality assurance with respect to the gatekeeping of Title IV funds

- As noted by Office of Inspector General in a February 2014 report, "Accrediting agencies and States have minimal or nonexistent responsibility to monitor a school's compliance with the Title IV requirements."
 - Demands for greater accountability remain

Oversight of higher education, as set forth in current law and regulation, is a shared responsibility.

- Any judgment regarding the effectiveness of accreditation, state regulations, or the Department should not lose sight of that fact

- **An Accreditation Perspective**



Accreditation Requirements Regarding Teach-Outs

- **Accreditors, typically but not always, serve as the Triad agency that approves teach-out agreements.**
- **Accreditors often require a teach-out plan when a member of the Triad gives notice of an action such as:**
 - When the accreditor receives notice from the Department that an action has been initiated to limit, suspend, or terminate a school's participation in any Title IV program
 - HCM2
 - Concern for students is elevated when an accreditor receives notice from the Department that an emergency action has been initiated.
 - When the accreditor receives notice from a state regulatory body that a school's license to operate will be/has been revoked; or
 - Within the accreditation process, itself an accreditor expresses concern that an institution may lack sufficient financial resources.

Crucial Connections: An Institutional Perspective



• An Institutional Perspective



Successful Teach-Outs often take more time and effort than you think

- Requires a number of key factors need to fall into place in a relatively sequential manner.

Be realistic in recognizing the amount of time you have before doors have to close

- Once the school ceases to operate, options become extremely limited

Map it Out (as best you can) before you make your first phone calls

- The **first** phone calls made by an institution facing a potential closure should be with:
 - The state regulatory body;
 - The institutional accreditor;
 - The appropriate Case Management Team representative.

Keep in mind

- Make sure you understand the state's role and expectations (regulations, if applicable) regarding teach-outs
- Accreditors, generally, require teach-out and have specific criteria required for teach-out plan approval
- Programmatic accrediting bodies often have unique language in their standards which may, though not by design, limit teach-out options

• An Institutional Perspective



Know Your Markets

In markets where there are comparable program options, the teach-out process is greatly enhanced.

- When the teach-out partners were with the same accreditor, the approval process was streamlined.
 - Confidence in comparability of programs and institutional infrastructure to take on a teach-out
 - Schools accredited by a different body may have compliance issues that would complicate taking on the burden of a teach-out
 - Administrative Capacity
 - Do not forget about community colleges that offer similar programs as viable teach-out options.

Academic mapping to determine what credits are comparable and where students are in a particular program at the time of closure is labor intensive and time consuming.

- It is non-stop until the last student is off-campus/graduates.

Do not under-estimate the economics behind teach-outs and the catastrophic impact of precipitous closures

- Impact of leases and landlords
- Liabilities and Letters of Credit

• An Institutional Perspective



Ensuring Consistency in Messaging

Anxiety, Anger, and Frustration is only exacerbated by mis-information and silence.

- First and foremost, the faculty, staff, and campus personnel need to be involved in conversations so they understand the issues.
 - Consistency In Messaging
 - Multiple conversations and pre-drafted FAQs
 - The impact of Stay-On Bonuses for Faculty and Staff

Deploy a website and call center to act as a Student Ombudsman

- Dedicated telephone, email address, and team of people
- Circulate Ombudsman information in print, press releases, emails to students, and website
 - This takes fiscal resources

Do not create a sense of false hope in students by discussing “potential” opportunities.

- Map out viable, confirmed teach-out options, and explain how it would work
- Have student services, financial aid, and academic advisors available to answer specific questions
- Effective inter-agency/school collaboration should result in a singular message to all students on what that next step is.

• An Institutional Perspective



Pressure Points and Challenges

Existing Liabilities and Toxicity

In terms of a teach-out as part of a wind-down/close-out effort, the approval process is not as complex as when the teach-out partner seeks to branch into, or take over operations of, the closing school.

- Important to not negotiate the terms of the teach-out without first involving the relevant members of the Triad in those discussions

Risk Factors

- Cohort Default Rates (Department)
- Outstanding Financial Obligations (Department)
- Graduation and Employment Data (Accreditor)
- State Licensure Pass Rates (Accreditor / State)
 - Toxicity can exist beyond the financial ramifications such as negative publicity surrounding the closing school or ongoing investigations by various regulatory entities.

Desire for greater flexibility from accreditors and the Department on mitigating the risks associated with assuming control of a closing school.

- Unmitigated risk can be a deal breaker



- **A State Regulatory Perspective**



Institutions need to be realistic in identifying their ability to continue to operate when facing significant financial challenges.

- Institutions should reach out to the state and accreditor as soon as there is any inclination that the school may be considering closing
 - Timing is the key factor.
- Inability or unwillingness to be realistic about continuing operations can have a devastating impact on the potential success of a teach-out.

The primary goal is to get relevant, reliable information into the hands of students as quickly as possible

- Institutions should be open and honest with students
 - Prevent Rumors
 - Be careful about discussing “potential” teach-out opportunities with students
 - Effective inter-agency collaboration should result in a singular message to all students on what that next step is.

Institutions must get their student records organized, preferably electronically

- States are often, as the last resort, the keeper of student records
- Closures of distance education schools can prove to be challenging with respect to records

- A State Regulatory Perspective



Expect and prepare for a significant volume of questions from students

- Question that often start with “why did this happen” eventually turn into “what is the next step.”

Students should have the expectation to know what their rights are during a teach-out and the options that are available.

- Questions on federal financial student aid are best addressed by the Department
 - Provide a pathway for students to work directly with the Department

Institutions need to understand that even though the doors may be closing, school officials still have a responsibility to help their students.

- Failure to do so subjects school officials to multiple actions by varying parties

Wish List

- Work with the state early in the process.
 - NO SURPRISES
- Give students all necessary records
- Finds pathways towards similar programs offered at other accredited institutions
 - Student Ombudsman Services

- A State Regulatory Perspective



Many states have established procedures for the closure of an institution which typically requires timely, written notice to include information such as:

- Point of contact at the school
 - Post-Closure
- Proposed date of closure
- Roster of students impacted by pending closure
 - Including students on a Leave of Absence
- Identification of any outstanding refunds
- Copies of proposed written notice to students/potential students about the impending closure
- Expected date of deposit of student records

Many states have specific criteria regarding the information that must be included in student records

- Name of program, length of program, date of last instruction, records of student grievances, transcript showing student's achievement up to date of closure
 - Availability of digital records



- A Case Management Team Perspective



A Student Centered / Student Facing Approach

Communication is Critical for Students

- Students may be eligible for discharge of Direct Loans and FFEL Program loans if their school closes while enrolled and the student does not complete the program because of the closure.

The Importance of Records

- Students will need academic records in order to attend another school and to have coursework at the closed school taken into consideration.
- Records are useful for students to substantiate any claim for a loan discharge.

Themes

- Communicate Directly with Individual Students on Next Steps
 - Loan Servicer Information / Designated POC for Closed Schools
- Coordinate with Members of Triad to Ensure Effective Collaboration and Consistency in Multi-Agency Messaging.
 - Multiple Conference Calls

- A Case Management Team Perspective



Working with Institutions Through Teach-Out Process

For institutions seeking to conduct a teach-out as part of a closure effort, and has no intention of continuing operation / taking over operations, the process is often expedited.

- Letters of Credit provide fiscal incentive to institutions to engage in a responsible teach out

For institutions seeking to branch into, or take over operations at the closing location upon the completion of the teach-out, questions (pressure points) often center around existing liabilities, toxicity and other risk factors

- Liabilities regarding 90/10 and Cohort Default Rates
- Outstanding Financial Obligations Carrying forward to New School
 - Plus Accreditation Requirements surrounding licensure and student achievement


Schools should not assume that the Department will automatically apply a “White Knight” provision which absolves the teach-out partner from assuming any liabilities

- Schools are encouraged to not pre-negotiate a teach-out with a partner institution without first involving the state, accreditor, and the appropriate Case Management Team.

Crucial Connections: Recommendations Going Forward




• Recommendations Going Forward



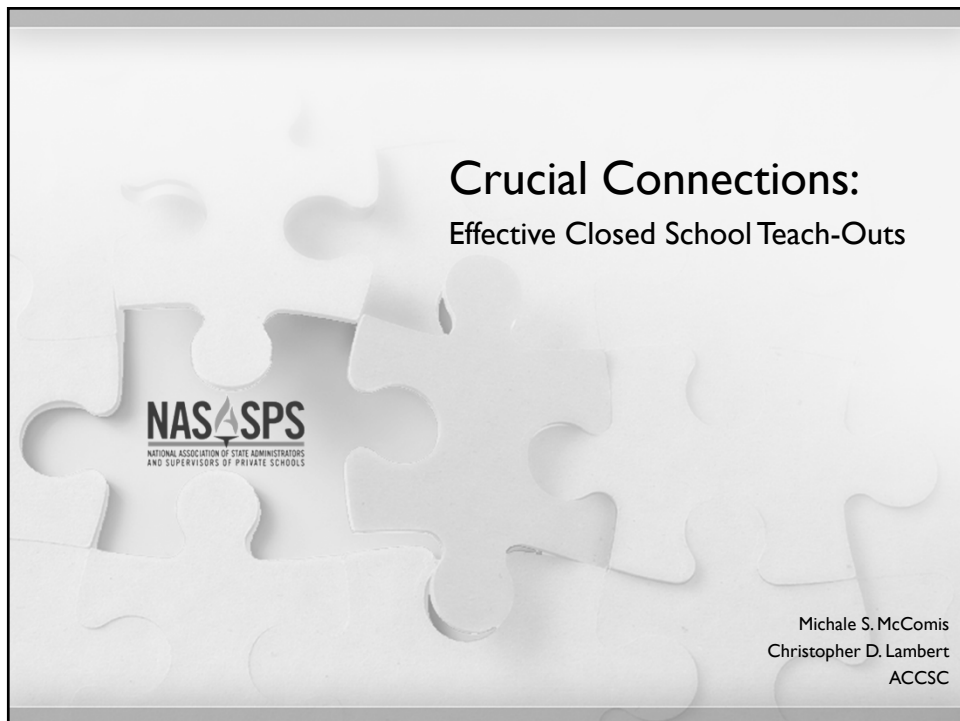
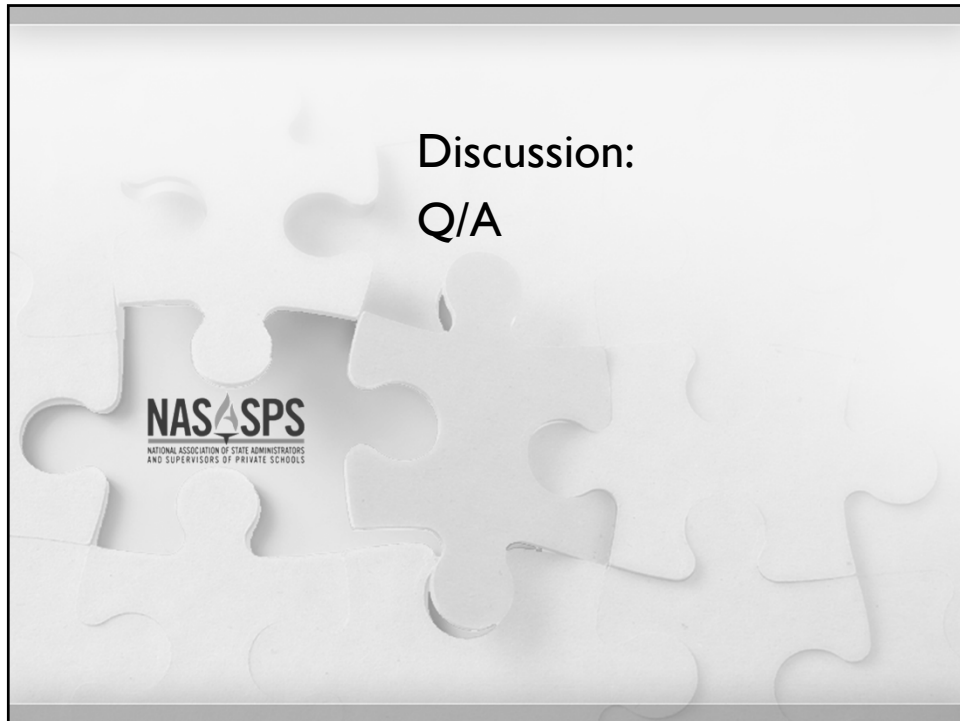
- **As reflected in multiple conversations, institutions must be willing to embrace and deploy a realistic assessment of their ability to continue school operations when facing a significant financial liability**
 - Institutions are encouraged to reach out to the appropriate point of contact at the state, accreditor, and designated Case Management Team BEFORE any decision has been made to close and BEFORE any teach-out negotiations begins with another institution.
- **Organization of, and ready access to, student records is of paramount importance if students are going to have the opportunity to continue their education.**
 - Timing is critical.
 - Electronic Records are helpful.

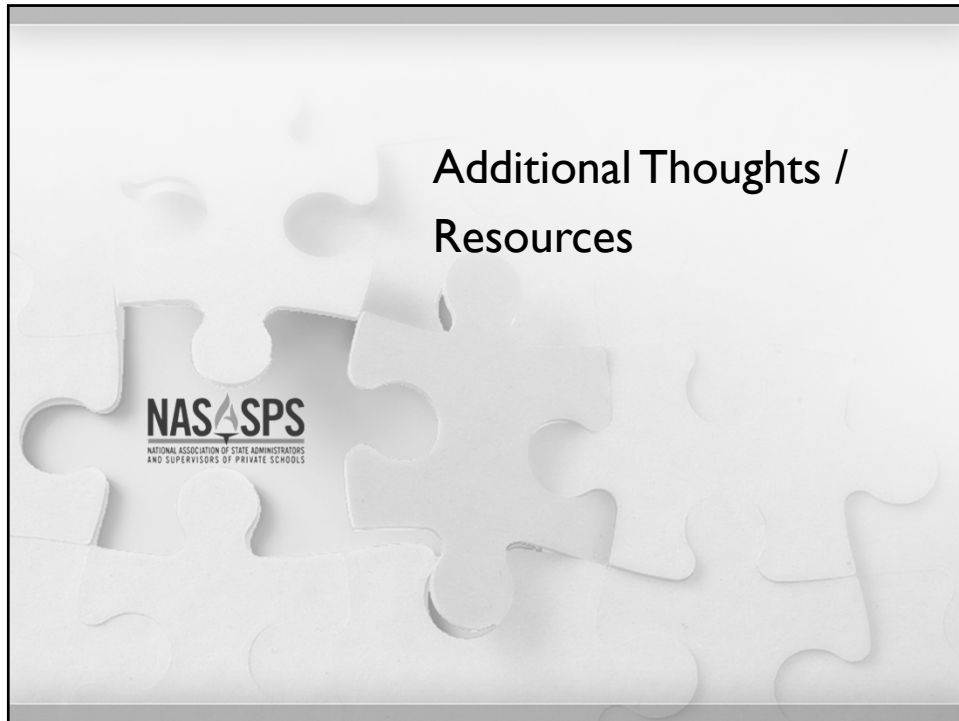
• Recommendations Going Forward



- **Consistency in messaging to students from all members of the triad helps to keep the rumor-mill in check and sets reasonable expectations going forward.**
 - Multi-Agency (TRIAD) Conference Calls early in the process.
 - The information provided to students must be specific in outlining the pathways/next steps and should include specific information on finalized teach-out agreements, transfer opportunities, or points of contact to discuss loan discharge.
- **For schools seeking to continue operation at a closing school, the Department and Accreditors need to be flexible and reasonable, on a case by case basis, as they consider toxicity and other issues at a closing campus:**
 - Department: Cohort Default Rates, Financial Liabilities,
 - Accreditors: Student Graduation and Employment Rates, State Licensure Requirements
 - ACCSC Example: Waiving requirement that 25% of the required curriculum must be completed at the school awarding the credential for teach-out purposes

As a Resource, some additional thoughts on Expectations, Key Factors, Student Information Packets, and FAQs are included at the end of this presentation.





- Additional Thoughts



Typical Teach Out Documents/Information Required for Accreditation

- A listing by name of all students in all programs
 - Estimated graduation dates.
- The expected final graduation date and school closure.
- The status of unearned tuition, all current refunds due and account balances.
- A disposition of all student records in an accessible location and in accordance with applicable legal requirements
- An explanation of how the school would notify students in the event of closure.
- A demonstration and description of how the delivery of training and services to students will not be materially disrupted and that obligations to students will be timely met.
- A description of the specific additional charges to students, if any, and the school's plan for providing advance notification to students of any additional charges.

- Additional Thoughts



Record Keeping Expectations

Generally, in most scenarios, and often as a last resort, the STATE becomes the custodian of records:

- Roster of Students
 - By Program
- Copies of Transcripts
 - Showing Academic Progress made by Students impacted by the Closure
- Student Tuition Recovery Fund (if applicable)
 - What is the process?
- Record Keeping is complicated when a school is an on-line school
 - Student from multiple states
- Teach-Outs are complicated for residential schools with respect to geography and comparable program offerings

- Additional Thoughts



Key Factors to Consider

- Who is the primary point of contact for students?
 - At each Triad Agency
- What are the critical pieces of information that agency staff can share with students?
 - Consistency in messaging
- There will be many questions not only about what is the next step for students, but also inquiring why the school closed.
 - There may be inquiries from the press.
 - Who is the designated person to serve as the agency's spokesperson?
- Who is the primary point of contact for agency interactions?
- Are there any bilingual students that would necessitate bilingual agency staff?
- Provide links and contact information for other relevant agencies (accreditor / federal)

- Additional Thoughts



Student Information Packets

A student information packet places crucial information into the hands of students impacted by a school closure. Accreditors can assist greatly in the compilation of these packets.

- Hard copy / email / agency websites

These packets should include:

- Program Information (as recognized by accreditor & licensed by state)
- List of comparable programs offered by accredited institutions in the region
- Point of Contact regarding federal student loans (Department of Education)
- A “If Your School Closes” document with instructions on where to start, what happens if the school already closed, and financial aid information (loan discharge/cancellation)
- Information on where to obtain Academic Transcripts (state)
- Other Agency Contact Information (accreditor, state, federal)
- Language Translation as necessary (e.g., Spanish)

- Additional Thoughts



Frequently Asked Questions

Each member of the triad should anticipate and be prepared to answer questions from the press, legislators, and other regulators about the contributing factors that resulted in a precipitous school closure.

Each member of the triad should anticipate and be prepared to address questions posed by other accredited institutions that advance proposals to engage in a formal teach-out of a closing/closed institution:

- Opportunities for a teach-out on ground at the campus by a third-party (institution)
- Questions on any limitations on the ability for students to transfer of credit (accreditor)
- Questions on the ability for the “new” institution to establish a campus at that location and the potential liabilities (toxic assets) associated with this transaction (federal)
- Expressed desire for new entity to avoid any liabilities/penalties from previous ownership
- Questions on accelerating a branch application approval for that participating institution (state and accreditor)