

National Council for State Authorization Reciprocity Agreements
President/CEO and Board of Directors
3005 Center Green Drive
Suite 130
Boulder, Colorado 80301

April 26, 2021

Re: Response to NC-SARA April 21, 2021 Letter

Dear President Williams and Members of the Board:

Thank you for the response you sent on Wednesday April 21 regarding our comments on the proposed NC-SARA manual changes to be discussed at the May 2021 board meeting. We appreciate that you got back to us quickly, and that you have promised to provide a copy of our concerns to the board members.

Unfortunately, we are concerned that the issues we raised in our comments were misunderstood, and we wanted to take the opportunity to clarify our position. We hope these additional comments will be shared with board members alongside your response and given full consideration during the meeting.

1. Proposed Changes to Section 3.2

Although - as indicated in your response - we do believe that it is important that states have more authority to revoke NC-SARA participation, the concern we are truly seeking to elevate at this time is one related to the extension of provisional status. All three proposed changes to Section 3.2 seek to extend the amount of time an institution can remain on provisional status and therefore bypass the traditional state authorization process, despite the heightened risk institutions on provisional status inherently represent for students. We are deeply concerned to see these efforts to expand, rather than limit, the benefits of reciprocity to schools that are out of compliance with NC-SARA's minimum requirements for eligibility.

The NC-SARA policy modifications document indicates that the changes were suggested by MHEC and NC-SARA staff, but does not explain the justification for asking students to bear the risk inherent in giving institutions this additional deference. Unfortunately, that consideration of student risk was also not addressed in your response. We believe that institutions failing to remedy their provisional status should be removed from NC-SARA without further extension, reverting oversight to the states where students live, rather than granting those institutions even more time on provisional status.

2. NC-SARA Policy Manual Section 3.2(a)(8)

We agree with you that it is “important for states to be able to conduct thorough and complete research into the reasons an institution is in financial distress and whether remedies that the institution pursues will in fact make a difference.” However, the existing provisional status process already affords states and institutions the opportunity to address and correct problems, and institutions also have state authorization options outside of NC-SARA.

The proposed change to section 3.2(a)(8) would instead allow for a state to restart the provisional clock each time the school changes ownership, with no limitation on the number of times this can happen, creating the opportunity for a problematic school to violate NC-SARA standards with no improvement while maintaining the benefits of membership by undertaking ownership changes every several years. While your response does indicate that a change in ownership has the potential to result in a positive outcome, it does not address the risk of allowing students to continue to enroll at toxic-asset institutions that repeatedly change hands, nor how NC-SARA intends to protect students from that risk.

3. NC-SARA Policy Manual Section 3.2(e) and Section 3.2(g)(2)

We agree that “institutions’ situations that may lead to provisional status are not always simple and straightforward.” In fact, the recent examples of Zenith/Corinthian¹ and Dream Center/ECMC² acquisitions emphasize the risk to students inherent in these complicated situations. However, as stated above, the existing provisional status system already provides states and institutions additional time to correct issues, including those related to Federal Financial Responsibility Composite Scores or state or federal investigations. While this change may not have been “intended to allow institutions to persist in provisional status indefinitely,” that will be the unintended consequence of this change if formalized.

Although we appreciate the need to provide states time to determine if an institution meets the requirements for NC-SARA membership, provisional status must have a definitive time limit. In the event that institutions fail to come into compliance within that time limit, they will still have the opportunity to seek approval from states through the traditional state authorization process, and they will further have the opportunity to reapply for NC-SARA membership as soon as they meet the requirements.

Without a definitive limit, provisional status becomes meaningless, especially because any additional limitations or monitoring at the state level are completely optional. In order for states to trust that the out-of-state institutions enrolling resident students are safe, it is important to have sufficient minimum standards for all NC-SARA members to adhere to, and the primary focus of those standards should be consumer protection. We therefore urge the board to work with states to articulate processes for what the evaluation of institutions should entail, and to establish a uniform set of strong, consumer protection-focused monitoring requirements and restrictions that institutions on provisional status should be subject to.

¹ <https://www.insidehighered.com/news/2017/11/09/zenith-education-will-close-all-three-its-campus>.

² <https://www.insidehighered.com/news/2018/12/10/dream-center-colleges-closing-years-end>.

4. NC-SARA Policy Manual Section 3.2(a)(9)

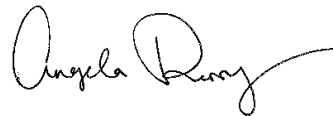
We appreciate your clarification that Portal Entities have the option to place an institution on provisional status for noncompliance with NC-SARA policies. However, it is our belief that Portal Entities should have, at a minimum, authority to revoke an institution's membership if they determine there is a significant risk to students, even one *not* specifically listed in the NC-SARA manual. As you pointed out in your letter, "States, with staff who are knowledgeable about the institutions in their states, are in the best position to understand the risks and determine continued participation." We believe that states must have the authority to exercise that judgment in the interests of protecting students.

Thank you again for your response, and for your time and attention to these issues. We hope these additional comments are helpful in clarifying our concerns, and we welcome opportunities to discuss these recommendations at your convenience.

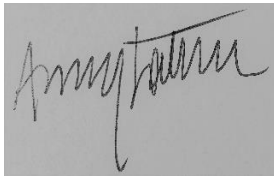
Sincerely,



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