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Sent: Friday, September 27, 2013 11:40 AM
To: Chip Cameron
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Subject: Proposal from the Repayment Rate Working Group

Good Morning,

I hope you are all doing well. While a more detailed memo is forthcoming, I thought I would go ahead and share the outline of the repayment working groups proposal.

We conceived of this proposal as way to measure three important things. First, we wanted to provide a safe harbor to institutions and programs that are high performers. Second, we wanted to ensure that we were providing a metric that accounted for non-completers. And, finally, we strongly believe that repayment rates provide an important mirror to loan default rates.

We won't be providing a specific repayment rate to the Department but rather a frame work for how they may arrive at a number that is fair to both institutions and students. An analysis of the debt to income rates reported in 2011 revealed that there is a strong correlation between DTE ratios and repayment rates. It is our contention that the use of repayment rates that correlate to the DTE ratios used in the final rule will provide a reasonable basis for regulation.

The structure of the repayment proposal is as follows:

All institutions with a median debt load of \$0 are exempted from the regulation.

Tier One: High Repayment Rate

Programs with a high repayment rate will be exempted from any further regulation

Tier Two: Median Repayment Rate

Programs with a median repayment rate will be subject to additional regulation:

- Programs with a median repayment rate will be required to pass both DTE measures.
- Programs with a median repayment rate will be required to submit new programs for prior approval, per Barmack Nassirian's proposal
- Programs with BOTH a median repayment rate AND a high DTE ratio will be subject to an audit of their job placement rates

Tier Three: Low Repayment Rate:

In the first year, programs with low repayment rates will be required to:

- Programs with a low repayment rate will be required to pass both DTE measures

- Programs with a low repayment rate will be required to submit new programs for prior approval, per Barmack Nassirian's proposal
- Programs will be subject to an audit of their job placement rates
- Programs must post a letter of credit in the amount of loan debt owed by current students

Programs with two years of low repayment rates will lose access to Title IV.

Thank you to everyone who contributed time and ideas to this proposal. I look forward to your comments.

Yours,

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