[redacted]

Subject: RE: Proposal regarding low-cost, low-risk programs

From: Raymond Testa
Sent: 12/10/2013 3:59 PM
To: 'Nassirian, Barmak'; Chip Cameron; Rory O'sullivan; Angela Peoples; Eileen Connor; Whitney Barkley; Margaret Reiter; Taratino, Tom; Warner, Jack; Sandra Kinney; Justice, Della (KYOAG); Libby DeBlasio; Ted Daywalt; Tom Kriger; Greenfield, Helga A.; Higgs, Ronnie; Hoblitzell, Barbara A.; Jenny Rickard; tdalton@[redacted] Brian Jones; Marc Jerome; JBerkowitz@[redacted] Belle Wheelan Private; nharvison@[redacted]
Cc: Kolotos, John; charlie pou; Richard Heath; Kevin Jensen; Glen Gabert; Mohr, Rhonda [redacted]
Subject: RE: Proposal regarding low-cost, low-risk programs

Dear Colleague,

I will be interested to hear reactions from others on the committee on the discussion of how unfair it is to evaluate programs based only on Title IV recipients and or only on borrowers. This is one concept discussed in the proposal that warrants serious consideration. If I recall, Brian, Marc, and I made this very argument at the outset of negotiations but it apparently went unnoticed or ignored. In fact the problem was easily resolved in the original proposal I submitted whereby the cohort could be comprised of all Title IV applicants rather than recipients, especially since those applicants are already part of NSLDS so there is no jeopardy of creating a new database and running afoul of the court decision. Having all students fill out a FAFSA is a best practice to insure all students receive aid to which they are entitled.

As a matter of principle that I believe should not be taken lightly, we cannot ignore that if the proposed rule is purported to measure the quality of programs and the value proposition to taxpayers, and we are looking to identify "low cost" institutions then it is necessary to capture all the costs associated with the delivery of education. While community college students may have low borrowing levels, additional taxpayer funds in the form of other state and federal subsidies not available to for profit schools are an integral part of what it actually costs to educate students. In fact there are numerous arrangements between for profit trade and technical schools and community colleges in which the for profit school provides most if not all of the training to the student enrolled in the community college because they are capable of doing so at an equal or lower cost. Such arrangements allow the community college to offer the program without making substantial investment in facilities and equipment. While borrowing levels may be lower for many students the taxpayer investment is actually higher.

I do not make these comments in an effort to disparage my community college colleagues. I am most sympathetic to the challenges they face and the student populations they serve. I only seek recognition of the need for risk adjusted metrics that would mitigate the intrinsic unfairness of bright line benchmarks as they have been proposed. I look forward to the Department's analysis of how implementation of any rule will be impacted by the percentage of independent versus dependent students, and how the metrics are influenced by the percentage of Pell eligible students.
Best regards,
Ray Testa

-----Original Message-----
From: Nassirian, Barmak [mailto:nassirianb@[redacted]
Sent: Tuesday, December 10, 2013 2:38 PM
To: Chip Cameron; Rory O'sullivan; Angela Peoples; Eileen Connor; Whitney Barkley; Margaret Reiter; Taratino, Tom; Warner, Jack; Sandra Kinney; Justice, Della (KYOAG); Libby DeBlasio; Ted Daywalt; Tom Kriger; Greenfield, Helga A.; Higgs, Ronnie; Hoblitzell, Barbara A.; Jenny Rickard; tdalton@[redacted] Brian Jones; Raymond Testa; Marc Jerome; JBerkowitz@[redacted] Belle Wheelan Private; nharvison@[redacted]
Cc: Kolotos, John; charlie pou; Richard Heath; Kevin Jensen; Glen Gabert; Mohr, Rhonda (rmohr@[redacted]
Subject: RE: Proposal regarding low-cost, low-risk programs

Dear Colleagues,

While I was not involved in developing the proposal put forth by Rich and Kevin, I'd like to express my strong endorsement of their work. I believe that the rationale they have offered is quite compelling, and that their proposed solution--which is even more strict than the original version discussed at our last meeting--would significantly improve the final rule.

I would also urge the Committee to consider providing an exceptional performer designation, along the lines of the proposal from Tom Dalton and Jenny Rickard, for institutions with extremely low default rates, on the reasonable grounds that institutions where the vast majority of borrowers are repaying their student loans are extremely unlikely to fail the GE metrics.

Barmak

From: Chip Cameron [fxcameo@[redacted]
Sent: Tuesday, December 10, 2013 1:53 PM
To: Rory O'sullivan; Angela Peoples; Eileen Connor; Whitney Barkley; Margaret Reiter; Taratino, Tom; Warner, Jack; Sandra Kinney; Justice, Della (KYOAG); Libby DeBlasio; Ted Daywalt; Tom Kriger; Greenfield, Helga A.; Higgs, Ronnie; Nassirian, Barmak; Hoblitzell, Barbara A.; Jenny Rickard; tdalton@[redacted] Brian Jones; Raymond Testa; Marc Jerome; JBerkowitz@[redacted] Belle Wheelan Private; nharvison@[redacted].
Cc: Kolotos, John; charlie pou; Richard Heath; Kevin Jensen; Glen Gabert; Mohr, Rhonda (rmohr@[redacted]
Subject: Proposal regarding low-cost, low-risk programs

All:

Attached is a proposal from Rich Heath and Kevin Jensen on low-cost, low-risk programs.

I have also included here part of their rationale.

Chip

"Richard Heath and I would like to revisit the proposal we submitted during the last session. At that session, the Department indicated that it felt that the potential for unintended consequences for certain programs had been mitigated through the definition of the minimum size of cohorts and challenge processes within each of the metrics.

After conferring with many of our colleagues on the negotiating committee during the last session, we still feel strongly that the current draft rule does not adequately recognize low-cost, low borrowing rate programs where the cohort of students used to measure the program is likely to be unrepresentative of the program in general, therefore unnecessarily threatening the Title IV eligibility of the program and burdening both schools and the Department. Furthermore, we are very concerned that, without appropriate recognition of low-cost, low-borrowing rate programs the current draft rule will incentivize some schools to leave the Direct Loan program or close effective programs. The danger of these possibilities includes limiting access to low-cost programs leaving students with no options other than higher-cost programs, or similarly restricting access to affordable federal student loan programs leaving students with no options other than private student loan markets or higher cost programs that offer federal student loans.

Please see the attached memo, where we've presented additional data and information in support of the need to make further modification to the draft rule as well as revised proposed language we think will provide institutions with appropriate, positive incentives to do everything within their authority to keep both costs and borrowing rates for gainful employment programs low."