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From: Jerry Barnett [Jerry.Barnett@remingtonadmin.edu]
Sent: Tuesday, June 17, 2008 2:24 PM
To: Redacted by HELP Committee)
Cc: Redacted by HELP Committee
Subject: RE: HEA and the 90/10 rule

Redacted ,

I haven't heard any news about HEA, but just wanted to pass along another problem we've found with 90/10 this coming year.

We will make 90/10 this year, but don't see how we can make it in fiscal 2009, which for us start on July 1, just two weeks away. The extra Title IV available has created a problem with our current students. All current students are set up on payment plans. This is to make sure we get the 10% we need to comply. However, in our Enrollment Agreement that every student signs we agree not to raise their tuition if they stay in school or only take a leave of absence for less than a year.

Now, all these students are starting the new Title IV award year, which also starts on July 1, and are getting the extra funding. Therefore, they don't have to make payments anymore. All the payments that we had set up for this year are gone as of July 1, and we can't raise tuition to make them pay again.

Even if we could raise tuition we wouldn't want to. It would have to be a very large increase and would cause many to decide to go elsewhere for their education. However, this means that we will have to raise tuition even more on new students to make up for the difference that we were to get from the current students. (Hope this makes sense.)

If we could get relief from the 90/10 rule our current students would be in great shape, our new students wouldn't have to see much of a tuition increase, and we would be able to keep and recruit more students. In addition, we wouldn't close on July 1, 2009 when we miss 90/10!

Just thought I'd pass that along. Thanks again for your help.

Jerry Barnett, Chairman
Remington Colleges

Ps. Two large school groups have significantly raised tuition already to cope with this issue.

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From: Jerry Barnett [mailto:Jerry.Barnett@remingtonadmin.edu]
Sent: Wednesday, June 11, 2008 11:11 AM
To: Redacted by HELP Committee)
Cc: Redacted by HELP Committee
Subject: HEA and the 90/10 rule

Redacted ,

I am one of the shareholders of Remington College. We have 20 campuses around the country, two of which are in Cleveland. I am writing about HEA and the 90/10 rule. We have heard that Senator Brown believes the 90/10 rule either is okay as it is or needs only modest changes in order to allow schools to comply with the rule. At least in our case, and for many schools around the country, I'm sorry to tell you he is wrong.

Many schools such as DeVry or the University of Phoenix will not have a problem with 90/10. Their student population is made up of people upgrading their careers or have more financial resources than students attending schools like many of ours. These students get their employers to pay much of their tuition or are able to qualify for third party loans because of their good credit. Many of our students are trying to change from a low paying career to one with more earning potential and don't have that ability. We get very little money from their employers and very little from third parties (i.e. banks or other lenders making loans directly to students without government guarantees).

Our fiscal year ends this month on June 30th. We will make the 90/10 ratio this year, though only by the slimmest of margins. We have been running models on next year, which begins this July 1st and ends June 30, 2009. We cannot figure out a way to comply with the rule unless substantial changes are made in the calculation.

Two things have happened that have created this crisis. First was the loss of "gap" financing which was caused by the credit crunch and the reduction in subsidies by Congress last year. (Gap financing is generally third party lender financing that is not Title IV, such as Sallie Mae or Citibank lending directly to the student as discussed above. The gap is the difference in the tuition price and the amount of financial aid the student receives.) This loss caused our 90/10 ratio to go from 78% in 2007 to 88% this year. (And, this year we still had around $3 million in gap financing that helped us get down to the 88%. This will not be there next year.)

The second cause for the crisis is the increase in Title IV this year. The unsubsidized loan increase of $2,000 and the increase in the Pell grant of a little less than $500 causes the amount of financial aid available to increase from around $10,500 to $13,000 per academic year. That means that we have to cover the $13,000 with 10%. The only way to do that is to raise tuition by around 110% of the increase. This forces the student to come out of pocket more during his or her period of enrollment as well as after they get out of school. Since they will also owe more money in loans student loan default rates will increase. <u>In our current modeling we are presuming we will raise tuition by *over* $2,400 per year—a ridiculous amount considering the current economic situation.</u>

In other words, 90/10 is a lose/lose/lose regulation. Students lose because they have to pay more to go to school, get kicked out of school for not making their payments, or just don't go to school at all. We lose because we have fewer student, higher drop-out rates and higher default rates on loans. And, the taxpayer loses for all the above reasons. There is one winner though—state-supported two-year colleges. Community colleges are very much in favor of this rule. They don't have to comply with it, but they know it hurts us and our students. They know that it will reduce competition, not just for students but also for the money they get for those students. If that sounds a little like a conspiracy theory I have to say that I've been doing this for over 25 years and I've seen this before.

The easy solution is to allow us to count the $2,000 unsubsidized loan increase toward the 10%. This has been mentioned and is under consideration by the Conference Committee, so I am told. Since this increase was made with the intention of helping students who could no longer get third-party loans for their gap financing this seems like a logical extension of the intent of the law.

Please ask Senator Brown to support us in making this change. We need your support to help us change this rule that is so damaging to all those involved.

Jerry Barnett, Chairman

Education America, Inc.
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P.S. I have copied Redacted by HELP Committe, our Campus President at our Cleveland campus so that he may provide you with more data that illustrates my points. I have also copied Redacted by HELP Committee from the Career College Association who is helping our industry bring attention to this problem.