



March , 2010

Certified Mail
Return Receipt Requested

RE: Provisional/LOC Alternative

Dear :

The School Participation Team- has completed its review of the fiscal year ended 06/30/2009 audited financial statements of .

In assessing the financial strength of , our financial analyst reviewed the financial statements using the indicators that are set forth in regulations at 34 C.F.R. § 668.171 (copy enclosed).

Financial Ratios 34 C.F.R. § 668.171(b)(1)

These statements yield a composite score of out of a possible 3.0. A minimum score of 1.5 is necessary to meet the requirement of the financial standards. Accordingly, fails to meet the standards of financial responsibility as described in 34 C.F.R. § 668.172, Financial Ratios.

In view of its failure to meet the financial responsibility standards, may continue to participate in the Title IV, HEA programs by choosing one of two alternatives:

1. Letter of Credit (LOC) Alternative (34 C.F.R. § 668.175(c))

Under this alternative, is required to submit an irrevocable letter of credit in the amount of This amount represents 50% of the Title IV, HEA program funds received by the Institution during its most recently completed fiscal year. By choosing this option, the Institution qualifies as a financially responsible institution.

Federal Student Aid, School Participation Team -

www.FederalStudentAid.ed.gov

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2. Provisional Certification Alternative (34 C.F.R. § 668.175(f))

Under this alternative, _____ must post a letter of credit in the amount of _____ and be provisionally certified for a period of up to three complete award years. This amount represents 10 % of the Title IV, HEA program funds received by the Institution during its most recently completed fiscal year.

_____ must comply with all of the requirements specified for the Provisional Certification Alternative in 34 C.F.R. § 668.175(f), including the Zone Alternative in 34 C.F.R. §§668.175(d)(2) and (3), and Requesting Funds 668.162(e), including the disbursement of Title IV, HEA program funds under the cash monitoring 1. By choosing this option, _____ acknowledges that it has not met the U.S. Department of Education's (Department) standards of financial responsibility. Upon receipt of the LOC, the SPT will issue _____ a new Provisional Program Participation Agreement that specifies the requirements identified with the Provisional Certification Alternative.

Compliance with Zone Alternative Requirements

1) **Method of Payment** – _____ is required to make disbursements to eligible students and parents under either the cash monitoring or reimbursement payment method as described under 34 C.F.R. § 668.162(d) and (e). If the institution selects the provisional certification alternative, the institution will be placed on the cash monitoring 1 payment method.

Under the Cash Monitoring 1 payment method, the institution must first make disbursements to eligible students and parents before it requests or receives funds for the amount of those disbursements from the Department. The funding request may not exceed the amount of the actual disbursements that were made to the students and parents. The institution is permitted to draw down funds through the Department's electronic system for grants management and payments, 'G5, for the amount of disbursements it made to eligible students and parents so long as the student accounts are credited before the funding requests are initiated. The institution may credit student accounts and draw federal funds on the same banking day.

2) **Notification Requirements** – _____ is required to provide information to the SPT by certified mail or electronic or facsimile transmission no later than 10 days after any of the oversight or financial events, as described below, occur. _____ must also include with the information it submits, written notice that details the circumstances surrounding the event(s) and, if necessary, what steps it has taken or plans to take, to resolve the issue.

- Any adverse action, including probation or similar action, taken against the Institution by its accrediting agency, State of Missouri or other Federal agency;
- Any event that causes the Institution, or related entity as defined in the Statement of Financial Accounting Standards (SFAS) 57, to realize any liability that was noted as a contingent liability in the Institution's or related entity's most recent audited financial statements;
- Any violation by the Institution of any loan agreement;

- Any failure of the Institution to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;
- Any withdrawal of owner's equity/net assets from the Institution by any means, including by declaring a dividend; or
- Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30
- Any filing of a petition by the Institution for relief in bankruptcy court.

Action Required

must notify the Department of the selection of one of these two alternatives in writing to this office within 14 days of receipt of this letter.

U.S. Department of Education
School Participation Team –

E-mail address:
Fax Number:

If the institution selects the Provisional Certification Alternative, all requirements of that alternative as listed above will be effective the date the Department receives notification of the selection.

Letter of Credit Requirements

For either option selected, the irrevocable letter of credit must be made payable to the Secretary, U.S. Department of Education. The letter of credit is necessary in the event that the Institution would close or terminate classes at other than the end of an academic period. It assures the Secretary that funds would be available from which to make refunds, provide teach-out facilities and meet institutional obligations to the Department.

A sample irrevocable letter of credit is enclosed. letter of credit must be issued by a United States bank. Your lending institution must use this format on its letterhead with no deviation in the language contained therein. The letter of credit must provide coverage until 05/31/2011. The irrevocable letter of credit must be received prior to the close of business 45 calendar days from the date of this letter. Please note that if fails to provide the irrevocable letter of credit within 45 calendar days, the institution may be referred to the Department's Administrative Actions and Appeals Division (AAAD) office for termination and/or other administrative action under 34 C.F.R. § 668.86.

Please mail the irrevocable letter of credit to the following address:

Veronica Pickett, Director
Performance Improvement and Procedures
U.S. Department of Education
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

is required to notify the School Participation Team- within 3 business days, in the event the LOC issuing institution should fail, resulting in financial transactions and operations being administered by the Federal Deposit Insurance Corporation. will also be required to submit a new replacement LOC issued by a different and non-failed U.S. bank, within 10 business days.

If you have any questions regarding this matter, please feel free to contact
Financial Analyst, at

Sincerely,

Area Case Director

Enclosures: Sample Irrevocable Letter of Credit
Copy of regulations

cc: Coordinating Board for Higher Education
North Central Association of Colleges and Schools