From:	Michael Locke
To:	George Fogel
Sent:	2/7/2010 4:32:48 PM
Subject:	RE: Requested Docs

Thanks….let me take a look

Can you give me a 90/10 table by campus and aggregate then pro forma for unsub $.....fiscal 2009 tying out to the audits is fine

J. Michael Locke
Chief Executive Officer
Rasmussen

From: George Fogel
Sent: Sunday, February 07, 2010 9:53 AM
To: Michael Locke
Subject: Requested Docs

Michael,

Attached are the documents you requested. The default rates spreadsheet includes the two and three year looks as well as our estimates for the upcoming 2 year look at Cohort Year 2008. There is a second tab on that spreadsheet which includes the 2007 Cohort three year look at grads. Now, the good news is that the grad rate default rate is 8.1%, the bad news is that Florida is 22.9% which is horrible. If we drop Florida out, our grad rate is default rate is 4.9%. While the Florida grad default rate is lower than the overall Florida default rate, but not by enough.

I have attached funding sources for FY 2009. We don't have the mix complete for Q1 yet as there is a problem with CLASS and getting the data we are working to resolve. However, I have included the 2009 by quarter with a year end total.

The next attachment is the debt to income data. This calculated off of our grads data and their debt loads.

In terms of how we address the gainful employment issue, we have several options. First, is offering a scholarship to our graduates to "buy" down their debt. This will be costly, however, as we discussed it is on the backs of our drops. My guess is this will only be a short term fix if we can do it all as the department or Congress will "fix" this and not let this kind of discounting (much in the same way as you can't pay off defaulting loans). I have attached an attempt to model this. The blue numbers are my assumptions and the black are the calculation. Feel free to play with it, comment on it or tell me I am way off base, but I think it works for illustrative purposes based on our discussions yesterday.

Obviously we can lower our tuition across the board, if we did that, it would be disastrous to revenue. We would have to drop our tuition by almost in half.

Alternatively, we can require students to take three or more classes and essentially kill the two course taker. This will drive up Pell since they will be taking more credit, it will also get rid of a lot of excess funds that part time students can receive, plus students would get out in the work force faster.

Also, we could require students to make a large cash payment while in school, whether cash or credit card. If we required students to pay $1000 in cash ever quarter, we would fix 90/10 and would take the debt gap down by almost 50%.

Finally, probably the best way to avoid this regulation is to continue to have our grads pay their loans. Excluding the Florida schools, at 4.9%, it would indicate that the vast majority of our grads are able to pay their loans.

Obviously, there are may different levers we can manipulate to manage this. Some are less painful than others.

Let me know if this all makes sense and if you need anything else. I think I covered everything you requested.

Thanks,
George