From:	George Fogel
To:	Robert King
Sent:	2/8/2008 7:08:26 PM
Subject:	RE: CCA Cohort Default Rate
Attachments:	image001.gif; image002.gif

Bob,

We have outsourced our default prevention for Florida to a company owned by Sallie Mae. The first year they did a poor job and thus the pop in the rate for FY2005 (such a poor job and they knew it, they cut in half their fees this service). The rate should be down slightly for FY2006 based on our preliminary numbers and we are having better FY2007 so far.

We are hiring someone to do default management centrally, and probably a second person by the end of FY08/beginning FY09. With all of the renewed emphasis on default rates, the central management of defaults will keep a continual focus these students. By pulling this function central, the campuses can focus on what they do best which is service the current students and we will have someone focused on this everyday across all campuses.

George

From: Robert King
Sent: Friday, February 08, 2008 8:03 AM
To: George Fogel
Subject: RE: CCA Cohort Default Rate

What can be done about Fla. Campuses.

From: George Fogel
Sent: Wednesday, February 06, 2008 11:39 AM
To: Robert King
Cc: Michael Locke; Kristi Waite
Subject: RE: CCA Cohort Default Rate

Bob,

Understood.

Default rates are calculated by OPE-ID. Below are the official default rates for the most recent cohorts for our OPE-IDs. Additionally, I included some comps from the publics for FY 2005.

George

Location	FY 2003	FY 2004	FY 2005
North Dakota	4.6%	8.5%	8.1%
Eagan	6.5%	7.1%	6.2%
Mankato	6.2%	3.9%	5.1%
Eden Prairie	2.7%	3.7%	5.8%
St. Cloud	5.9%	2.9%	8.6%
Florida	6.8%	10.5%	14.7%

	Cohort Default Rate
APOL	7.3%
CECO	12.3%
COCO	10.6%
DV	6.5%
ESI	9.7%
LINC	8.5%
STRA	4.5%
UTI	9.6%

From: Robert King
Sent: Wednesday, February 06, 2008 6:04 AM
To: George Fogel
Cc: Michael Locke
Subject: RE: CCA Cohort Default Rate

George, thanks for this. At the Board meeting in addition to the FA discussion I want you to cover the sub-prime lending issue from our standpoint and a projection of the loan amount we are proposing to employ in addressing the tuition needs of these students. Also, the potential / projected impact on our bad debt expense. Finally, please address the then current CDR legislation as it looks like it will be proposed and voted on and the impact on our business. Please send me our current default rates by campus. These must be net succinct presentations. Thanks for all this.

From: George Fogel
Sent: Tuesday, February 05, 2008 8:40 PM
To: Robert King
Subject: RE: CCA Cohort Default Rate

Bob,

This amendment would have changed how the DOE calculated the cohort default rates (CDR). Instead of looking at whether a student defaulted on their loans for two years after they enter repayment to determine a schools default rate, the DOE would use three years to see what happened to the student's loans. It was projected that the average for for-profit schools default rate would jump from 8.6% (two year rate) to 16.7% (three year rate). These numbers were estimated by DOE itself.

This has a potential negative impact on the school if the school's CDR crosses one of three thresholds. If a school's rate is above 10% it must delay the drawing funds for first time students for 30 days (currently we only have this restriction in Pasco and Ocala). If a school has three consecutive cohorts above 25%, the school loses Title IV funding, not just loans, but grants as well. If a school has one cohort above 40%, the school also loses Title IV funding.

The amendment that added this to the HEA was ill conceived and the overall impact was not considered. In reality, in Minnesota, the community colleges would have probably been impacted more by this than we would have, at least in the short term as their default rates in some instances are higher than ours. Schools that serve minorities and low income areas would see big increases in default rates. While defaults are not something we want to see, these communities still need to be served with educational opportunities. This amendment would have driven an exit of schools that serve this market.

George

From: Robert King
Sent: Tuesday, February 05, 2008 5:51 PM
To: George Fogel
Subject: RE: CCA Cohort Default Rate

Why would 3 Vs. 2 have a negative impact ?

From: George Fogel
Sent: Tuesday, February 05, 2008 4:53 PM
To: Leadership Team
Subject: FW: CCA Cohort Default Rate

Team,

Two weeks ago on the Leadership call I went over the current standing of the House bill to re-authorize the Higher Education Act. A key provisions of the bill changed how the cohort default rates (CDR) were to be calculated to use a three year look versus the current two year review. This changes would have had a negative impact on our rates across the board.

Today it was announced that additional changes are likely to be made to the bill which takes a phased in approach to moving to a three year look as well as changes some of the thresholds used to determine when a school is not performing. While these changes did not get us all the way to where we wanted to be it was a huge leap forward from where we were.

If you have questions about this, please let me know.

George

Redacted by HELP Committee

[redacted]