



January 29, 2015

Dr. Fitzgerald Hill, President
Arkansas Baptist College
1621 Dr. Martin Luther King Drive
Little Rock, AR 72202

Certified Mail
Return Receipt Requested
7013 2630 0001 8220 7862

RE: **Final Program Review Determination**
OPE ID: 00108700
PRCN: 201240628047

Dear Dr. Hill:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on October 12, 2012 covering Arkansas Baptist College's (ABC's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the period of June 1, 2010 through June 30, 2012. ABC's final response was received on January 22, 2015. A copy of the program review report (and related attachments) and ABC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by ABC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$5,855.49.

This final program review determination contains detailed information about the liability determination.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the

findings in the attached report do not contain any student PII. Instead, the findings reference students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A - Student Sample and Appendix F. These appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the October 3, 2012 program review report. If ABC wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date ABC receives this FPRD. An original and four copies of the information ABC submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

ABC's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to ABC's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Michael Williams at 214-661-9517. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Cynthia Thornton, Director
Dallas School Participation Division

cc: Phillip Rodgers, Financial Aid Administrator
North Central Association of Colleges and Schools, the Higher Learning Commission
Arkansas State Department of Education

Enclosures:
Protection of Personally Identifiable Information
Final Program Review Determination Letter (including Appendices)

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

Arkansas Baptist College

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 00108700

PRCN: 201240628047

Prepared by

U.S. Department of Education

Federal Student Aid

Dallas School Participation Division

Final Program Review Determination

January 29, 2015

Table of Contents

A. Institutional Information	3
B. Scope of Review	4
C. Findings and Final Determinations.....	4
Finding 3. Verification Violations.....	5
Finding 4. Inaccurate Recordkeeping.....	7
Finding 5. Ineligible Student	8
D. Summary of Liabilities	10
E. Payment Instructions.....	11
F. Appendices	13
Appendix A: Student Sample	
Appendix B: Program Review Report (PRR)	
Appendix C: Institution's Response	
Appendix D: Cost of Funds Calculation	
Appendix E: Estimated Loss	
Appendix F: Student Sample Finding 5	

A. Institutional Information

Arkansas Baptist College
1621 Dr. Martin Luther King Dr.
Little Rock, AR 72202

Type: Private, Non Profit

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: North Central Association of Colleges and Institutions (CIHE)

Current Student Enrollment: 1617

% of Students Receiving Title IV: 88%

Title IV Participation (PEPS Funding): 2012-2013

Federal Pell Grant Program	\$ 4,157,188
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$ 63,646
Federal Work Study	\$ 50,392
Federal Direct Loan - Subsidized	\$ 3,191,418
Federal Direct Loan - Unsubsidized	\$ 4,448,224
Federal Parent Loan for Undergraduate Students (PLUS)	\$ 225,037

Default Rates FFEL/DL:	2011 – 31.1%
	2010 – 27.4%
	2009 – 29.8%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Arkansas Baptist College (ABC) from July 23, 2012, to July 25, 2012. The review was conducted by Mr. Michael G. Williams and Ms. Jackie Shipman.

The focus of the review was to determine ABC's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of ABC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 15 files was identified for review from the 2010-2011 award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for the award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on October 3, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning ABC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve ABC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

ABC has taken the corrective actions necessary to resolve findings # 1, 2, 3, 6, 7, 8, 9, 10, 11 and 12 of the program review report. Therefore, these findings are closed. ABC's written response to the program review report is included as Appendix C. Findings requiring further action by ABC are discussed below.

Resolved Finding with Comments

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for the purpose of discussing resolution.

Finding 3. Verification Violations

Citation: *An institution is required to establish written policies and procedures for verifying applicant information. For the Federal Pell Grant Program, if an applicant's Free Application for Federal Student Aid (FAFSA) information changes as a result of verification, an institution must (1) recalculate the applicant's Federal Pell Grant on the basis of the expected family contribution (EFC) on the corrected valid SAR or valid ISIR; and (2)(i) disburse any additional funds under that award only if the institution receives a corrected valid SAR or valid ISIR for the applicant and only to the extent that additional funds are payable based on the recalculation. 34 C.F.R. § 668.51 through § 668.61*

Noncompliance: *ABC failed to adequately verify students who were selected for verification. In addition, ABC failed to submit several ISIRs for corrections even though the monetary difference identified as a result of verification was over \$400.00 (allowable tolerance amount during the 2010-2011 award year).*

Also, for several of the students in the sample, it appears ABC did not report the correct verification status codes as required by the Electronic Announcement dated April 7, 2011 with the Subject: 2010-2011 Verification Reporting and Verification Status Code "W" Warning Message. Specifically, the use of the "S" status code indicates that the student was selected for verification by the CPS, but that the institution did not complete verification because the student was outside the 30 percent verification threshold.

Student #2- The student was selected for verification. A verification status code of "S" was submitted even though documentation could not be provided that he/she was beyond the 30 percent threshold.

Student #4- There was a discrepancy of \$1,105.00 in the parent's untaxed income when verification was done. Although ABC recalculated the EFC, the difference was above the tolerance level of \$400.00 and a new ISIR was not produced.

Student # 7- The student was selected for verification. A verification status code of "S" was submitted even though no documentation could be provided that he/she was beyond the 30 percent threshold.

Student # 9- The ISIR indicated the parents had \$0 in untaxed income, while the verification documentation indicated the parents received \$14,260.00 in untaxed income. Although, ABC recalculated the EFC, the difference was above the tolerance level of \$400.00 and a new ISIR was not produced.

Student #10- The student claimed eight in the household size (HHS) on the ISIR, but the verification document listed nine.

Student #11- The student was selected for verification. A verification status code of "S" was submitted even though no documentation could be provided that he/she was beyond the 30 percent threshold.

Student #13- The student's adjusted gross income (AGI) on the ISIR was \$22,557.00, but the AGI was \$0 on the verification documentation. The parent's AGI on the ISIR was \$1,365.00, while the verification documentation listed the parent's AGI as \$3,128.00. Although ABC recalculated the EFC, the difference was above the tolerance level of \$400.00 and a new ISIR was not produced.

Student #14- The ISIR reported a HHS of three, with two in college. The verification worksheet reported four in the household and one in college. A new ISIR was not produced.

Student #15- The student was selected for verification. A verification status code of "S" was submitted even though no documentation could be provided that he/she was beyond the 30 percent threshold.

Required Action: *For students #10, #13 and #14, ABC must submit a recalculation of the expected family contribution (EFC). If the EFC changes as a result of the recalculation, then all Title IV funds disbursed to the student in excess of his/her eligibility will be considered a liability.*

In regard to the students for whom "S" codes were used (students #2, #7, #11, and #15), ABC will receive further instructions regarding verification status codes based on the review of the applicant pool information provided as required in Finding 2. If it is determined that more students need to be verified to reach the 30 percent threshold, then students #2 #7, #11, and #15 must be verified.

Instructions for correcting and submitting "S" codes for student records that will be verified will be provided.

Because corrected ISIRs for the 2010-2011 award year cannot be produced for the remaining students, ABC must submit a procedure that will ensure corrected ISIRs are produced if the tolerance level (\$25.00 as of the 2011-2012 award year) is exceeded.

ABC's Response: ABC provided verification documentation for students #10, 13 and 14.

Regarding students # 2, 7, 11, and 15, ABC submitted documentation demonstrating that these students were not verified because the school had met its 30 percent verification limit for the 2010-2011 award year.

Final Determination: ABC submitted documentation demonstrating that the EFCs for students #10, 13 and 14 did not change as a result of the completion of verification. Therefore, all three students were eligible for the Title IV, HEA funds received.

Additionally, ABC's verification policy for the 2010-2011 award year indicated that verification would be limited to 30 percent of the applicant pool, and defined its applicant pool as the total number of students enrolled.

ABC provided the following data to support its determination that it had reached the 30 percent limit; therefore, although CPS selected 748 students, only 465 of those students were verified:

Total Number of Students Enrolled:	1,339
<u>Total Number of Students Verified:</u>	<u>465</u>
Percentage of Students Verified:	34.7%

As a result, the "S" code reported for students #2, 7, 11 and 15 were accurate, and no further action was required.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of ABC's response to the finding and the Department's final determination for that finding. A copy of the program review report issued on October 3, 2012, is attached as appendix B.

Finding 4. Inaccurate Recordkeeping

Citation: *An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain, on a current basis, financial records that reflect each Title IV, HEA program transaction and general ledger control accounts and related subsidiary accounts that identify each transaction and separate those transactions from all other institutional financial activity.*

The records that an institution must maintain in order to comply with the record retention regulations include, but are not limited to:

- *The Student Aid Report (SAR) or ISIR used to determine eligibility for Title IV, HEA program funds;*
- *Documentation relating to each student's or parent borrower's receipt of Title IV program funds;*
- *The amount of grant, loan and Federal Work Study award; and*
- *The date and amount of each disbursement or delivery of grant or loan funds the date and amount of each payment of FWS wages. 34 C.F.R. § 668.24*

Noncompliance: *Two students in the sample were missing some or all of the information needed to support the records submitted to the Common Origination and Disbursement system (COD).*

Student #2- According to the National Student Loan Data System (NSLDS) and COD, \$694.00 in Federal Pell Grant funds for 2010-2011 award year was disbursed, but the disbursement was not posted to the student's account record.

Student #12- The student's financial aid file could not be located for review.

Required Action: *ABC must determine why the funds were not posted to student #2's ledger. If the student was not entitled to the funds, then an explanation with documentation should be submitted. If the student was entitled to the Federal Pell Grant funds, but the funds were not drawn down through G-5, then documentation must be submitted to support the determination and ABC will be provided with directions on how to obtain the funds.*

ABC must provide a copy of the financial aid file for Student #12. Documents must include, but are not limited to, the student account ledger, the ISIR, the academic transcript, and verification documents (if selected). If ABC cannot provide documentation to support the student's eligibility to receive Title IV funds and the amount of funds received, liabilities will be assessed in the Final Program Review Determination letter.

ABC's Response: ABC provided documentation showing that student #2 had two student accounts. Her tuition charges were posted to one student account, while her financial aid disbursements were posted to a different account. The accounting errors were corrected and the two accounts were linked. Included with the response was a ledger statement showing that Federal Pell Grant funds in the amount \$694 were deposited to the student's account on 10/25/2010.

No documentation was submitted for student #12.

Final Determination: The explanation provided and documentation submitted were sufficient to demonstrate that the Federal Pell Grant funds were disbursed to Student #2; therefore, no further action is required.

ABC failed to provide a complete copy of student #12's financial aid file demonstrating that the student was eligible for the funds disbursed. Therefore, ABC is liable for \$2,775.00 the student received in Federal Pell Grant funds.

A calculation has been computed to determine the amount of the interest, known as the Cost of Funds, due on the \$2,775 in ineligible Federal Pell Grant funds disbursed. The amount of interest is \$60.37. Therefore, the total liability to be remitted for this finding is \$2,835.37. The Cost of Funds calculation is included as Appendix D.

Finding 5. Ineligible Student

Citation: *A student is eligible to receive Title IV program funds if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution. 34 C.F.R. § 668.32(a)*

Noncompliance: ABC failed to coordinate information provided on the admission form and the FAFSA for student # 9 and student #11 prior to disbursing Title IV Aid.

Student #9- Although the student selected “working toward 1st BA” on the FAFSA, the admission document stated the student was not planning to obtain a degree at ABC. The student entered during the fall 2010 semester and withdrew after the spring 2011 semester.

Student #11- Although the student selected “working toward 1st BA” on the FAFSA, the admission document stated the student was not planning to obtain a degree at ABC. The student entered during the fall 2010 semester and did not return for the spring term.

Required Action: ABC must provide documentation with its response that the students were enrolled for the purpose of obtaining a degree. If acceptable documentation cannot be provided, then ABC will be liable for the Title IV funds disbursed to the students.

If ABC cannot provide documentation to support the eligibility for the Title IV disbursements for students #9 and #11, then ABC must review the files of all students who received aid during the 2010-2011 award year to determine if any additional students were funded who indicated they were not seeking a degree. A spreadsheet containing the students' names, SSNs, and disbursements by Title IV by program must be submitted:

ABC's Response: In response to this finding, ABC initially submitted copies of the admissions documents that were originally provided for students #9 and #11 during the program review. In a subsequent response, ABC indicated that a staff member contacted both students regarding their educational intent. Both students indicated that they had enrolled for the purpose of seeking a degree. Therefore, in its report to the Arkansas Department of Higher Education (ADHE), ABC indicated that both students were degree seeking. A copy of the report to the ADHE was submitted with the response.

In addition, ABC reviewed the admissions files of all students who enrolled during the 2010-11 award year to determine if there were any students enrolled who were not seeking a degree. In addition to the ADHE report submitted, ABC submitted an admissions report showing all degree seeking students enrolled.

Final Determination: The review of the admissions files revealed that there were seven additional students, three of whom received Title IV, HEA program funds, who appeared to be non-degree seeking. However, transcripts submitted for the three students indicated that two students did in fact obtain a degree at ABC. The third student, Student B-1 (identified in Appendix F), did not earn a degree and indicated on her admissions document that she was not a degree seeking student. ABC is liable for the \$2,775.00 in Pell Grant funds and \$5,500.00 in Direct Loans disbursed to this student.

The Cost of Funds on the ineligible Pell Grant funds is \$43.80, for a total Pell Grant liability of \$2,818.80.

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated loss to the Department that has resulted or will result from those ineligible loans is based on ABC's most recent cohort default rate available, which is 31.1%. The total estimated loss that ABC must pay to the Department for the ineligible loans is \$201.32. Copies of the results of those calculations are included in appendix E.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows:

Liabilities	Pell Grant	Direct Loan	EALF DL	Totals
Finding 4	\$2,775.00	-	-	
Finding 5	\$2,775.00	\$5,500.00	\$201.32	
Subtotal	\$5,550.00	\$5,500.00	\$201.32	
Interest Finding 4	\$60.37	-	-	
Interest Finding 5	\$43.80	-	-	
Subtotal	\$104.17	-	-	
TOTAL	\$5,654.17		\$201.32	
Payable To:				
Department	\$5,654.17		\$201.32	\$5,855.49

E. Payment Instructions

ABC owes to the Department \$5,855.49. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable findings and the instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: \$5,855.49
DUNS: 825696131
TIN: 710298658
Program Review Control Number: 201240628047

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. ABC is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to ABC's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, ABC has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due ABC from the Federal Government. **ABC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, ABC must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Direct Loan Estimated Actual Loss

Finding: 5
Appendix: E

DL Estimated Actual Loss	
Amount	Award Year
\$201.32	2010-2011
Total	
\$201.32	

ABC must pay the amount reflected above in Direct Loan estimated loss liabilities for the award year reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department above.

Pell– Closed Award Year

Findings: 4 & 5
Appendix: D

ABC must repay:

Pell Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$5,550.00	\$104.17	2010-11
Total Principal	Total Interest	
\$5,550.00	\$104.17	

The disbursement records for the students identified in appendix D must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student’s COD record must be sent to Michael Williams **within 45 days of the date of this letter.**

F. Appendices

- Appendix A: Student Sample
- Appendix B: Program Review Report (PRR)
- Appendix C: Institution’s Response
- Appendix D: Cost of Funds Calculation
- Appendix E: Estimated Loss
- Appendix F: Student Sample Finding 5

Appendix A: Student Sample (sent electronically)

This page intentionally left blank

Appendix B: Program Review Report (PRR)

This page intentionally left blank



Prepared For
Arkansas Baptist College

OPE ID: 00108700
PRCN: 201240628047

Prepared by
U.S. Department of Education
Federal Student Aid
Dallas Institution Participation Division

Program Review Report

October 3, 2012

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817

Table of Contents

A. Institutional Information.....	2
B. Scope of Review	3
C. Findings.....	3
Finding 1. Lack of Administrative Capability	3
Finding 2. 30 Percent Verification Option Incorrectly Implemented	4
Finding 3. Verification Violations	6
Finding 4. Inaccurate Recordkeeping.....	8
Finding 5. Ineligible Student.....	9
Finding 6. Improper Loan Certification.....	9
Finding 7. Improper Disbursements	10
Finding 8. Return of Title IV Policy Inadequate	10
Finding 9. Student Credit Balance Deficiencies	11
Finding 10. Campus Based Policies–Selection Policy Not Available.....	11
Finding 11. Entrance/Exit Counseling Deficiency	12
Finding 12. Late Student Status Confirmation Reporting.....	13
D. Appendices.....	13
Appendix A: Student Sample (provided under separate cover).....	14

Arkansas Baptist College
OPE ID: 00108700
PRCN: 201240628047
Page 2

A. Institutional Information

Arkansas Baptist College
1621 Dr. Martin Luther King Dr.
Little Rock, AR 72202

Type: Private, Non Profit

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: North Central Association of Colleges and Institutions (CIHE)

Current Student Enrollment: 1617

% of Students Receiving Title IV: 88%

Title IV Participation (PEPS Funding):	<u>2010-2011</u>
Federal Pell Grant Program	\$ 4,866,883
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	\$ 47,772
Academic Competiveness Grant (ACG)	\$ 18,838
Federal Stafford Subsidized	\$ 3,740,166
Federal Stafford Unsubsidized	\$ 4,049,614
Federal Parent Loan for Undergraduate Students (PLUS)	\$ 499,408
Federal Work Study	\$ 42,230

Default Rates FFEL/DL	2009 – 27.2%
	2008 – 18.8%
	2007 – 18.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Arkansas Baptist College (ABC) from July 23, 2012, to July 25, 2011. The review was conducted by Mr. Michael G. Williams and Ms. Jackie Shipman.

The focus of the review was to determine ABC's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of ABC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 15 files was identified for review from the 2010-2011 award year. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for the award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning ABC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve ABC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by ABC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Lack of Administrative Capability

Citation: The Secretary considers an institution to be administratively capable if the institution has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance. *34 C.F.R. § 668.16*

Noncompliance: ABC was not able to provide certain written policies and procedures or written information to demonstrate that it is adequately administering the Title IV, HEA

programs with respect to the approval, disbursement, and delivery of program funds. For example, ABC was not able to provide adequate written procedures for:

- Awarding and packaging students,
- Federal Direct Loan policies and procedures, including the implementation of the Quality Assurance System,
- Disbursing Title IV funds,
- Completing verification,
- Return of Title IV funds,
- Federal Supplemental Educational Opportunity Grant (FSEOG) awarding and disbursing criteria,
- Federal Work-Study awarding criteria,
- Maintaining records, and
- Performing reconciliation of the Title IV, HEA programs.

Required Action: ABC must provide a copy of the aforementioned policies and procedures with its response to the program review report. ABC is strongly encouraged to utilize the federal regulations, the Federal Student Financial Aid Handbook, and the Financial Aid Assessments tool, all of which can be found on the IFAP website (www.ifap.ed.gov), in writing the required policies and procedures.

Several of the policies noted (e.g., verification and Return of Title IV funds) are included as separate findings in this report. ABC may submit copies of all policies and procedures required as a result of this report with this finding.

Finding 2. 30 Percent Verification Option Incorrectly Implemented

Citation: Institutions are required to verify all applications selected by the Department except that institutions are not required to verify the applications of more than 30 percent of its total number of applicants under the Federal Pell Grant, Federal Direct Stafford/Ford Loan, and campus based programs in an award year. *34 C.F.R. § 668.54 (a)(2)(i) (in effect through June 30, 2012)*

Noncompliance: ABC did not define its applicant pool for purpose of exercising the 30 percent verification option.

ABC staff informed the reviewers that the 30 percent verification option was used during the 2010-2011 award year to select students for whom verification would be completed. However, there were no written procedures for implementing this option or a consistent definition of the applicant pool. Verbally, information was provided indicating that the number in the applicant pool was determined each semester, not by award year. It was unclear whether the applicant pool was all students enrolled, all students who began attendance or all students who received Title IV aid.

During the 2010-2011 award year, institutions were required to verify all applications the Central Processing System (CPS) selected for verification, up to 30 percent of the institution's total number of federal aid applicants in that award year. The institution could choose to verify more than 30 percent, and if the CPS selected less than that, the institution was not required to reach 30 percent. Applications an institution selects and those with conflicting information do not count toward the 30 percent level.

Institutions had the flexibility to define "applicant." For example, it could be anyone who applied to the institution (i.e., they need not be enrolled), anyone who was enrolled, or, even more narrowly, anyone enrolled who was also eligible to receive an aid award. Whichever definition was used, the students counted toward the 30 percent limit must have met the institution's definition.

ABC placed a note in the files of students it determined did not need to be verified because they were above the 30 percent threshold. In Fall 2010, the note stated, in part, that "Arkansas Baptist College is using as its applicant pool 1119 students who are enrolled for Fall 2010." In Spring 2011, a similar note changed the applicant pool number to 990. The notes in the students' files confirmed staff statements regarding the time frames used, but the numbers (1119 and 990) could not be linked to specific applicant pools.

In addition, the verification tracking flag on the Institutional Student Information Record (ISIR) uses a four-digit number to prioritize applicants—the higher the number, the greater the potential for significant error. For institutions that use the 30 percent option, this field helps rank applications for verification that potentially have the most significant mistakes. It does not appear any consideration was given to the priority ranking when students were chosen for verification.

Required Action: ABC must provide a definition of its applicant pool for the 2010-2011 award year by providing a numbered list of all the students included in the applicant pool in the following format:

Spreadsheet 1 – Applicant Pool

Name	SSN	Selected for Verification by CPS (Y or N)	Previously verified (Y or N)	Verification Status Code (V, W, S or Blank)

If, based on the definition of the applicant pool, ABC determines that it did not verify 30 percent of its applicant pool, the institution must verify additional students to ensure it has

met the 30 percent verification requirement. ABC must provide a numbered list of all additional students selected to meet the 30 percent verification requirement, along with the amount of all Title IV program funds the students received during the 2010-2011 award year, in the following format:

Spreadsheet 2 – Additional Students Verified to Meet 30 Percent

Name	SSN	Verification Completed (Y or N)	Pell	SEOG	ACG	DL Sub	DL Unsub	PLUS	FWS

In addition, for all of the additional students for whom ABC completes verification, ABC must provide all documents obtained to complete verification including, but not limited to, verification worksheets, tax returns, and ISIRs.

Finding 3. Verification Violations

Citation: An institution is required to establish written policies and procedures for verifying applicant information. For the Federal Pell Grant Program, if an applicant's Free Application for Federal Student Aid (FAFSA) information changes as a result of verification, an institution must (1) recalculate the applicant's Federal Pell Grant on the basis of the expected family contribution (EFC) on the corrected valid SAR or valid ISIR; and (2)(i) disburse any additional funds under that award only if the institution receives a corrected valid SAR or valid ISIR for the applicant and only to the extent that additional funds are payable based on the recalculation. *34 C.F.R. § 668.51 through § 668.61*

Noncompliance: ABC failed to adequately verify students who were selected for verification. In addition, ABC failed to submit several ISIRs for corrections even though the monetary difference identified as a result of verification was over \$400.00 (allowable tolerance amount during the 2010-2011 award year).

Also, for several of the students in the sample, it appears ABC did not report the correct verification status codes as required by the Electronic Announcement dated April 7, 2011 with the Subject: 2010-2011 Verification Reporting and Verification Status Code "W" Warning Message. Specifically, the use of the "S" status code indicates that the student was selected for verification by the CPS, but that the institution did not complete verification because the student was outside the 30 percent verification threshold.

Student #2- The student was selected for verification. A verification status code of "S" was submitted even though documentation could not be provided that he/she was beyond the 30 percent threshold.

Student #4- There was a discrepancy of \$1,105.00 in the parent's untaxed income when verification was done. Although ABC recalculated the EFC, the difference was above the tolerance level of \$400.00 and a new ISIR was not produced.

Student # 7- The student was selected for verification. A verification status code of "S" was submitted even though no documentation could be provided that he/she was beyond the 30 percent threshold.

Student # 9- The ISIR indicated the parents had \$0 in untaxed income, while the verification documentation indicated the parents received \$14,260.00 in untaxed income. Although, ABC recalculated the EFC, the difference was above the tolerance level of \$400.00 and a new ISIR was not produced.

Student #10- The student claimed eight in the household size (HHS) on the ISIR, but the verification document listed nine.

Student #11- The student was selected for verification. A verification status code of "S" was submitted even though no documentation could be provided that he/she was beyond the 30 percent threshold.

Student #13- The student's adjusted gross income (AGI) on the ISIR was \$22,557.00, but the AGI was \$0 on the verification documentation. The parent's AGI on the ISIR was \$1,365.00, while the verification documentation listed the parent's AGI as \$3,128.00. Although ABC recalculated the EFC, the difference was above the tolerance level of \$400.00 and a new ISIR was not produced.

Student #14- The ISIR reported a HHS of three, with two in college. The verification worksheet reported four in the household and one in college. A new ISIR was not produced.

Student #15- The student was selected for verification. A verification status code of "S" was submitted even though no documentation could be provided that he/she was beyond the 30 percent threshold.

Required Action: For students #10, #13 and #14, ABC must submit a recalculation of the expected family contribution (EFC). If the EFC changes as a result of the recalculation, then all Title IV funds disbursed to the student in excess of his/her eligibility will be considered a liability.

In regard to the students for whom "S" codes were used (students #2, #7, #11, and #15), ABC will receive further instructions regarding verification status codes based on the review of the applicant pool information provided as required in Finding 2. If it is determined that more students need to be verified to reach the 30 percent threshold, then students #2 #7, #11, and #15 must be verified.

Instructions for correcting and submitting “S” codes for student records that will be verified will be provided.

Because corrected ISIRs for the 2010-2011 award year cannot be produced for the remaining students, ABC must submit a procedure that will ensure corrected ISIRs are produced if the tolerance level (\$25.00 as of the 2011-2012 award year) is exceeded.

Finding 4. Inaccurate Recordkeeping

Citation: An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain, on a current basis, financial records that reflect each Title IV, HEA program transaction and general ledger control accounts and related subsidiary accounts that identify each transaction and separate those transactions from all other institutional financial activity.

The records that an institution must maintain in order to comply with the record retention regulations include, but are not limited to:

- The Student Aid Report (SAR) or ISIR used to determine eligibility for Title IV, HEA program funds;
- Documentation relating to each student’s or parent borrower’s receipt of Title IV program funds;
- The amount of grant, loan and Federal Work Study award; and
- The date and amount of each disbursement or delivery of grant or loan funds the date and amount of each payment of FWS wages. *34 C.F.R. § 668.24*

Noncompliance: Two students in the sample were missing some or all of the information needed to support the records submitted to the Common Origination and Disbursement system (COD).

Student #2- According to the National Student Loan Data System (NSLDS) and COD, \$694.00 in Federal Pell Grant funds for 2010-2011 award year was disbursed, but the disbursement was not posted to the student’s account record.

Student #12- The student’s financial aid file could not be located for review.

Required Action: ABC must determine why the funds were not posted on student #2’s ledger. If the student was not entitled to the funds, then an explanation with documentation should be submitted. If the student was entitled to the Federal Pell Grant funds, but the funds were not drawn down through G-5, then documentation must be submitted to support the determination and ABC will be provided with directions on how to obtain the funds.

ABC must provide a copy of the financial aid file for Student #12. Documents must include, but are not limited to, the student account ledger, the ISIR, the academic transcript, and

verification documents (if selected). If ABC cannot provide documentation to support the student's eligibility to receive Title IV funds and the amount of funds received, liabilities will be assessed in the Final Program Review Determination letter.

Finding 5. Ineligible Student

Citation: A student is eligible to receive Title IV program funds if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution. *34 C.F.R. § 668.32(a)*

Noncompliance: ABC failed to coordinate information provided on the admission form and the FAFSA for student # 9 and student #11 prior to disbursing Title IV Aid.

Student #9-Although the student selected "working toward 1st BA" on the FAFSA, the admission document stated the student was not planning to obtain a degree at ABC. The student entered during the fall 2010 semester and withdrew after the spring 2011 semester.

Student #11- Although the student selected "working toward 1st BA" on the FAFSA, the admission document stated the student was not planning to obtain a degree at ABC. The student entered during the fall 2010 semester and did not return for the spring term.

Required Action: ABC must provide documentation with its response that the students were enrolled for the purpose of obtaining a degree. If acceptable documentation cannot be provided, then ABC will be liable for the Title IV funds disbursed to the students.

If ABC cannot provide documentation to support the eligibility for the Title IV disbursements for students #9 and #11, then ABC must review the files of all students who received aid during the 2010-2011 award year to determine if any additional students were funded who indicated they were not seeking a degree. A spreadsheet containing the students' names, SSNs, and disbursements by Title IV by program must be submitted:

Student Name	SSN	Pell	SEOG	ACG	DL SUB	DL Unsub	PLUS	FWS

Any liabilities identified will be assessed in the Final Program Review Determination letter.

Finding 6. Improper Loan Certification

Citation: Federal regulations require that an institution follow certain disbursement rules when certifying and disbursing Federal Direct Loans. To borrow a PLUS loan for a student, the parent must be the student's biological or adoptive mother or father. Both parents may get a PLUS loan as long as the total aid package does not exceed the student's cost of attendance.

A stepparent is also eligible to borrow a PLUS loan if their income and assets would be taken into account when calculating the dependent student's EFC. A legal guardian is not considered a parent for FSA purposes. *34 C.F.R. §§ 668.2 and 685.200*

Noncompliance: ABC incorrectly originated a PLUS loan for student #10, a dependent student, during the 2010-11 award year. Specifically, the parent listed on the verification documentation applied for but was denied a PLUS loan. Documentation in the student's file indicates a PLUS was then applied for by the student's sister. The student's account record indicates a PLUS loan was credited for \$2,926.00.

Required Action: ABC will be required to repay the PLUS loan. Instructions will be provided in the Final Program Review Determination letter.

Finding 7. Improper Disbursements

Citation: The period for which a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan is intended is considered the period of enrollment. The period of enrollment must coincide with one or more bona fide academic terms established by the institution for which institutional charges are generally assessed (e.g., a semester, trimester, or quarter in weeks of instructional time; an academic year; or the length of the program of study in weeks of instructional time). The period of enrollment is also referred to as the loan period. *34 C.F.R. § 685.102*

A student is eligible to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a combination of these loans, if the student is enrolled, or accepted for enrollment, on at least a half-time basis in an institution that participates in the Direct Loan Program. *34 C.F.R. § 685.200(a)(1)(i)*

Noncompliance: ABC failed to properly disburse Direct Loan funds to Student #13. The student's loan period was from 8-16-2010 to 5-8-2011 and the cost of attendance used to determine the amount the student could borrow was for one complete academic year. However, the entire proceeds from both the subsidized Direct Loan (\$1,742.00) and the unsubsidized Direct Loan (\$2,985.00) were disbursed during the fall 2010 term. The student withdrew and did not return for the spring term of 2011.

Required Action: The institution must provide documentation that Student #13 was eligible for the disbursements. If documentation cannot be provided, the disbursements will be a liability.

Finding 8. Return of Title IV Policy Inadequate

Citation: Institutions are required to have a Return of Title IV Funds (R2T4) policy that clearly outlines the requirements for the treatment of Title IV, HEA funds when a student withdraws. The policy must identify the process for officially withdrawing from the

institution as well as a summary of the requirements for returning funds, including but not limited to, the effects of withdrawing, post-withdrawal disbursement information, how the institution will determine the withdrawal date for students who unofficially withdraw, and the timeframe and order for the return of funds. When a recipient of a Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. *34 C.F.R. §§ 668.16(h) and 668.22(a)*

Noncompliance: ABC's R2T4 policy did not address the following:

- A timeframe for which Title IV, HEA program funds must be returned;
- The amount of aid earned or that may need to be returned; and
- A statement that federal funds may not cover all unpaid institutional charges due to the institution upon a student's withdrawal.

Required Action: ABC is required to develop and submit with its response a R2T4 policy that satisfactorily addresses the components cited above.

Finding 9. Student Credit Balance Deficiencies

Citation: An institution may hold credit balances if it obtains a written authorization from the student (or parent, in the case of a PLUS loan). *34 C.F.R. § 668.165(b)*

An institution must identify the amount of funds the institution holds for each student or parent in a subsidiary ledger account designated for that purpose. *34 C.F.R. § 668.165(b)(5)(i)*

Noncompliance: The authorization form to retain credit balances provided to students did not have the option to cancel or modify the authorization.

Required Action: ABC must submit a revised authorization form that gives students the right to rescind or modify the authorization. In addition, ABC must provide assurances that all currently enrolled students have been provided with the updated copy of the authorization form.

Finding 10. Campus Based Policies–Selection Policy Not Available

Citation: The Federal Supplemental Educational Opportunity Grant (FSEOG) program awards grants to financially needy students to assist them in paying educational costs. An institution must have written procedures to ensure that FSEOG recipients are selected on the basis of the lowest EFC and Federal Pell Grant priority requirements over the entire award year. An institution shall establish selection procedures and those procedures must be uniformly applied in writing and maintained in the institution's files.

If an institution's allocation of Federal Work-Study (FWS) funds is directly or indirectly based in part on the financial need demonstrated by students attending the institution as less-than-full-time or independent students, a reasonable portion of the allocation must be offered to those students. *34 C.F.R. §§ 675.10 and 676.10*

Noncompliance: ABC did not provide written policies regarding the process for awarding and disbursing FSEOG and FWS funds, including the selection criteria process for FSEOG students.

Required Action: ABC must develop and submit to this office written FSEOG and FWS selection policies that ensure funds are awarded in accordance with federal regulations.

This includes, for the FSEOG program, giving priority to students with the lowest EFCs who are also Federal Pell Grant recipients, and ensuring that FSEOG funds are reasonably available throughout the entire award year.

Finding 11. Entrance/Exit Counseling Deficiency

Citation: An institution must ensure that entrance counseling is conducted with each Federal Direct Loan borrower prior to its release of the first disbursement, unless the student borrower has received a prior Federal Family Education Loan or Federal Direct Loan. Entrance counseling must provide comprehensive information on the terms and conditions of the loan and on the responsibilities of the borrower with respect to the loan. This information may be provided to the borrower during an entrance counseling session conducted in person; on a separate written form provided to the borrower that the borrower signs and returns to the institution; online or by interactive electronic means, with the borrower acknowledging receipt of the information. The institution must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after counseling to answer the student borrower's questions regarding the loan programs.

Additionally, an institution must ensure that exit counseling is conducted with each Federal Direct Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the institution. If a student borrower withdraws from institution without the institution's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the institution learns that the student borrower has withdrawn from the institution or failed to complete the exit counseling as required. *34 C.F.R. §§ 685.304(a) and (b)*

Noncompliance: ABC failed to provide documentation of entrance counseling for students #2, #7, #12, #13 and #15.

Additionally, ABC did not provide documentation that exit counseling had been completed for students #9, #13 and #15 who were no longer enrolled or had graduated. Institutional officials indicated that the list of unofficial student withdrawals was not provided to the financial aid office so that exit counseling can be completed.

Required Action: ABC must provide documentation that exit counseling has been completed for students #9, #13 and #15. In addition, ABC must review the files of all students who either withdrew or graduated during the 2010-2011 award year to determine if exit counseling was completed. If exit counseling was not completed, then the exit counseling information must be sent to the student via certified mail and documentation that the information was sent must be provided.

A procedure that will ensure that entrance and exit counseling is provided to students must be submitted with the response. Also, ABC must provide a procedure that assures the financial aid office receives timely the list of unofficial withdrawals from the registrar's office.

Finding 12. Late Student Status Confirmation Reporting

Citation: All institutions participating in the Title IV programs must have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS). Changes in enrollment to less than half-time, graduated, or withdrawn students must be reported within 30 days unless an institution expects to submit its next student status confirmation report within 60 days. *34 C.F.R. § 685.309(b)*

Noncompliance: ABC did not report the correct enrollment status for two students who attended.

Student #2- The student was enrolled half-time for the 2010 fall term and did not return for 2011 spring term. However, the status reported to NSLDS was "No Record Found".

Student #9- The student enrolled full-time for the 2010 fall term and the 2011 spring term. The student did not return to ABC after the spring term. However, the status reported to NSLDS was "No Record Found".

Required Action: ABC must provide documentation that it has corrected the NSLDS records of students #2 and #9 and provide an explanation as to why the students were reported as "No Record Found." After review of the response, ABC may be required to review the NSLDS records of all students who withdrew during or after the 2010 fall term through the 2011 summer terms.

ABC must also provide a response describing the steps that will be taken to prevent a repeat of this finding in the future.

D. Appendices

Appendix A: Student Sample (provided under separate cover)

This page intentionally left blank

Appendix C: Institution's Response

This page intentionally left blank

Appendix D: Cost of Funds Calculation

This page intentionally left blank

Institution Name: Arkansas Baptist College
 OPE ID: 00108700
 Appendix D - Ineligible Disbursements (Non-Loan) - Cost of Funds and ACA

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Arkansas Baptist College

Finding #	Description/Name	Ineligible Disbrsmnt	Program	Disbursement Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
4	Student #12	\$2,775.00	Pell Grant	8/1/2010	10/3/2012	794	1.00%	\$ 2,775.00	\$ 60.37	\$ -
5	Student #B-1	\$2,775.00	Pell Grant	3/7/2011	10/3/2012	576	1.00%	\$ 2,775.00	\$ 43.80	\$ -

Total Ineligible \$5,550.00

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS	
Federal SEOG	
Federal Perkins	

Total C-B Spent \$ -
 ACA Percentage

Totals
 ACA Liability

Interest Breakdown

Pell Grants	\$ 104.17	\$ -
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -
ACA Breakdown		

FWS	
FSEOG	
Perkins	
FWS-50% Match	
FWS-No Match	
FSEOG-No Match	
Perkins-No Match	

	Total	Federal Share
Pell	\$ 5,550.00	\$ 5,550.00
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

Total Campus-Based \$ -

Appendix E: Estimated Loss

This page intentionally left blank

Institution Name: Arkansas Baptist College
 OPE ID: 00108700
 Appendix E - Estimated Loss Formula

Estimated Loss Formula

9/16/2013

Enter Institution Name Arkansas Baptist College

Select Institution Type 4 Yr

	Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1	DL Subsidized	2010-2011	\$ 3,500.00	31.10%	5.75%	\$ 201.32
2	DL Unsubsidized	2010-2011	\$ 2,000.00	31.10%	-26.33%	\$ -
3						
	Description		\$ 5,500.00			\$ 201.32
4						
5						
6						
	Description		\$ -			\$ -
7						
8						
9						
	Description		\$ -			\$ -
10						
11						
12						
	Description		\$ -			\$ -
Original Ineligible Loan Liability			\$ 5,500.00	Total Estimated Loss		\$ 201.32

Institution Name: Arkansas Baptist College

OPE ID: 00108700

Appendix E - Estimated Loss Formula

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	31.10%	7.78%	4.00	0.69%	2.76%	-0.04%	2017	31.8%	2.02%	7.52%
2	31.10%	7.78%	4.00	1.64%	6.56%	-33.31%	2017	40.1%	2.52%	-1.48%
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), $[A/B = C]$ against the Budget Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is $((E+F) + ((I+J) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

Appendix F: Student Sample Finding 5 (sent electronically)

This page intentionally left blank