



November 7, 2013

Frank A. James, III
President
Biblical Theological Seminary
200 North Main Street
Hatfield, Pennsylvania 19440

Sent via UPS
Tracking No.
1ZA879640194694462

RE: Final Program Review Determination
OPE ID: 02323000
PRCN: 201320328233

Dear Dr. James:

The U.S. Department of Education's (Department's) School Participation Division – Philadelphia issued a program review report on June 24, 2013 covering Biblical Theological Seminary's (Biblical Seminary) 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). Biblical Seminary's final response was received on August 16, 2013. A copy of the program review report (and related attachments) and Biblical Seminary's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Biblical Seminary 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:

A final determination has been made concerning the outstanding finding of the program review report and the purpose of this letter is to close the review.

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 finding in the attached report does not contain any student PII. Instead, the finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. The appendix was encrypted and sent separately to the institution via e-mail.

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(c)(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 Jean Brennan Rines at 215-656-6906. 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); (b)(7)(C)

Nancy Paula Gifford
Division Director

Enclosure:

Protection of Personally Identifiable Information

cc: Virginia Hartman, Financial Aid Administrator
Middle States – Higher Education
Association of Theological Schools in the US and Canada
Pennsylvania Department of Education

Prepared for

Biblical Theological
Seminary

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

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OPE ID: 02323000
PRCN: 201320328233

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Philadelphia

Final Program Review Determination November 7, 2013

The Wanamaker Building
100 Penn Square East
Suite 511
Philadelphia, PA 19107
StudentAid.gov

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B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Biblical Theological Seminary (Biblical Seminary) from March 27-28, 2013 and April 10, 2013. The review was conducted by Jean Brennan Rines and Diane Sarsfield.

The focus of the review was on Biblical Seminary's administration of Title IV, HEA program funds awarded to students enrolled in its graduate programs. Biblical Seminary self-reported that William D. Ford Direct Loans had been originated and disbursed for one student who did not meet the regulatory definition of a graduate student. As a result, the Department's review consisted of an examination of Biblical Seminary's William D. Ford Federal Direct Loan Program records.

Biblical Seminary identified 130 students from the 2009-2010; 2010-2011; 2011-2012; and 2012-2013 (year to date) award years. These files represented 100% of the total population receiving Title IV, HEA program funds for each 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 Biblical Seminary'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 Biblical Seminary of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of Biblical Seminary's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on June 24, 2013 is attached as Appendix B.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

Finding 1: Ineligible Students

Citation Summary: A graduate or professional student is defined as a student who:

1. Is not receiving Title IV aid as an undergraduate student for the same period of enrollment;
2. Is enrolled in a program or course above the baccalaureate level or is enrolled in a program leading to a professional degree; and
3. Has completed the equivalent of at least three years of full-time study either prior to entrance into the program or as part of the program itself. 34 C.F.R. § 668.2 (Graduate Definition).

Noncompliance Summary: Biblical Seminary awarded Federal William D. Ford Direct Loans (Direct) to students who did not meet the regulatory definition of a graduate student.

During the on-site visit, school officials stated that they apply a standard of 72 credits (12 credits per term/24 credits per academic year) as the equivalent of three years full-time study to determine a student's eligibility for admission as a graduate student. The review team identified five students who completed less than 72 credits prior to their admission to into the graduate programs at Biblical Seminary.

Required Action Summary: During the on-site visit, the review team examined 100% of the files to determine each student's academic history prior to their admission into the graduate programs at Biblical Seminary. The program review report did not require any specific corrective actions but provided Biblical Seminary an opportunity to submit additional information to be considered by the Department prior to issuing a final determination.

Biblical Seminary's Response Summary: In its August 16, 2013 response to the program review, Biblical Seminary stated that each of the students cited in the report was admitted as a graduate student in full compliance with the standards and regulatory specification of the principal accrediting agency, the Association of Theological Schools (ATS).

ATS regulation and rule for admission states, *“Students must possess a baccalaureate degree from an institution of higher education accredited by a U.S. agency recognized by the Council for Higher Education, or approved by a Canadian provincial quality assurance agency, or the demonstrated education equivalent of a North American baccalaureate degree.”*

In its response, Biblical Seminary stated that each of the graduate students cited in the report was admitted under the “exception clause” of the standards established by ATS. This “exception clause” permits acceptance of students without a Bachelor’s degree so long as the number of students does not exceed 15% of entering students. Biblical Seminary stated exceptions to the baccalaureate degree requirement are granted only after an evaluation of the candidate’s academic history, work history and ministry qualifications by the program recruiter, program director and the Vice President for Student Advancement.

Biblical Seminary also submitted an updated policy to identify students admitted without an undergraduate degree in the school-wide computer software system.

In addition, Biblical Seminary noted two minor exceptions in the factual data as stated in the program review report: (1) student #120 was awarded an unsubsidized Direct Loan. This loan was identified as a subsidized Direct Loan in the report; (2) student #126 was awarded a \$8,490.00 subsidized Direct Loan. This loan was identified as an \$8,500.00 subsidized Direct Loan in the report.

Final Determination: The Department reviewed Biblical Seminary’s program review response and has based its final determination on the information Biblical Seminary provided. While the Department acknowledges that Biblical Seminary has the discretion to establish equivalency guidelines for accepting a limited number of students who do not possess a baccalaureate degree into its graduate programs; the Seminary must be mindful that students admitted under the “exception clause” may not meet the Title IV regulatory definition of a graduate student.

Indeed, the five students cited in the program review report failed to meet the regulatory definition of a graduate student for Title IV purposes because they did not meet complete the equivalent of 3 academic years of full-time study, or 72 credits, prior to their admission to Biblical Seminary. Consequently, these students were not eligible for Title IV aid.

The Department has estimated the actual loss it will incur as a result of the Title IV loans disbursed to the ineligible students. The estimated actual loss that Biblical Seminary must pay to the Department for the disbursements to ineligible students is \$996.41. A copy of the results of that calculation is included as Appendix D.

Also, the Department acknowledges and has revised the two minor exceptions for students #120 and 126 as noted in the institution’s response to the program review report.

D. Summary of Liabilities:

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

Liabilities	Direct Loan	Estimated Loss – Direct Loan
Finding 1	\$131,821.00	\$996.41
Subtotal	\$131,821.00	\$996.41
Interest/SA		
Finding 1	\$0.00	\$0.00
TOTAL	\$131,821.00	\$996.41
Payable To:		
Department	\$131,821.00	\$996.41

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 actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Biblical Seminary’s most recent cohort default rate available.

The total amount of Direct Loan that Biblical Seminary improperly disbursed during the 2009-2010; 2010-2011; and 2011-2012 award years for finding 1 is \$131,821.00. The estimated actual loss that Biblical Seminary must pay to the Department for the ineligible loans is \$996.41. A copy of the results of that calculation is included as Appendix D.

E. Payment Instructions

The total liability amount owed to the Department is minimal. Therefore, a receivable is not being established with the Department’s Accounts Receivable Group. Biblical Seminary must ensure that it has corrected its procedures so that this type of finding does not recur or is not repeated.

F. Appendices

Appendix A, Student Sample, contains personally identifiable information and will be emailed to Biblical Seminary as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendix A is attached to this report.

Appendix B:
Program Review Report

Prepared for

**Biblical Theological
Seminary**

Federal Student

aid

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OPE ID: 02323000
PRCN: 201320328233

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-Philadelphia

Program Review Report
June 24, 2013

Philadelphia School Participation Division
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107
StudentAid.gov

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B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Biblical Theological Seminary (Biblical Seminary) from March 27-28, 2013 to April 10, 2013. The review was conducted by Jean Brennan Rines and Diane Sarsfield.

The focus of the review was on Biblical Seminary's administration of Title IV, HEA program funds awarded to students enrolled in its graduate programs. Biblical Seminary self-reported that William D. Ford Direct Loans had been originated and disbursed for one student who did not meet the regulatory definition of a graduate student. As a result, the Department's review consisted of an examination of Biblical Seminary's William D. Ford Federal Direct Loan Program records.

Biblical Seminary identified 130 students from the 2009-2010; 2010-2011; 2011-2012; and 2012-2013 (year to date) award years. These files represented 100% of the total population receiving Title IV, HEA program funds for each 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 Biblical Seminary'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 Biblical Seminary 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, one area of noncompliance was noted. The finding of noncompliance is referenced to the applicable statutes and regulations and specify the actions to be taken by Biblical Seminary to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Ineligible Students

Citation: A graduate or professional student is defined as a student who:

1. Is not receiving Title IV aid as an undergraduate student for the same period of enrollment;
2. Is enrolled in a program or course above the baccalaureate level or is enrolled in a program leading to a professional degree; and
3. Has completed the equivalent of at least three years of full-time study either prior to entrance into the program or as part of the program itself. 34 C.F.R. § 668.2 (Graduate Definition).

For an undergraduate student enrolled full-time in a program that measures progress in credit hours and uses standard terms (semester, trimester, or quarters), an institution’s minimum standard must equal or exceed 12 semester hours or 12 quarter hours per academic term. 34 C.F.R. § 668.2 (Full-Time Status).

Noncompliance: Biblical Seminary awarded Federal William D. Ford Direct Loans (Direct) to five students who did not meet the regulatory definition of a graduate student. Specifically, the students did not have the equivalent of three years full-time study prior to entering the program or earned as part of the program itself.

In accordance with federal regulations, Biblical Seminary applied a standard of 72 credits (12 credits per term/24 credits per academic year) as the equivalent of three years full-time study.

The chart below lists specific details for each student and identifies the ineligible loan amounts.

Student No.	Credits Earned Prior to Entering Institution	Credits Earned as Part of Program	Semester Student Became Eligible for Title IV Funds	Loan Period	Ineligible Subsidized Direct Loan Amount	Ineligible Unsubsidized Direct Loan Amount
22	57	15	Spring 2011	9/7/2010-6/30/2011	\$79.00	
32	6	69	Spring 2013	1/4/2010-6/29/2010		\$18,534.00
				9/7/2010-6/30/2011	\$1,866.00	\$17,997.00
				9/6/2011-8/24/2012	\$7,257.00	\$13,243.00
52	6	72	Winter 2013	9/7/2010-6/30/2011	\$8,500.00	\$12,000.00
				9/6/2011-8/27/2012	\$8,500.00	\$12,000.00
120	45	31	Spring 2010	9/7/2009-6/29/2010	\$11,355.00	
126	39	33	Fall 2010	9/8/2009-6/26/2010	\$8,500.00	\$12,000.00

In addition, students #32, 52, and 126 had not reached the equivalent of three years full-time study prior to entering the institution nor as part of the program itself. They were, therefore, ineligible for the full amount of their loans identified above.

Students #22 and 120 reached the equivalent of three years full-time study as part of the program itself. For the loan periods identified in the chart, these students reached 72 credits at the end of the first payment period and were, therefore, eligible for the second payment period of the loan. The chart above identifies the ineligible amounts of the loan.

An institution's failure to confirm a student's eligibility for Title IV funds may cause it to disburse federal loans to ineligible students, which creates an added expense for the Department.

Required Action: During the on-site visit, Biblical Seminary provided the Department with a list of 130 students who received Title IV, HEA Direct Loans from the 2009-2010; 2010-2011; 2011-2012; and 2012-2013 (year to date) award years. The program review team examined the student files to determine that the students met the regulatory definition of a graduate student. These students are identified in Appendix A.

The Department will not require any additional information at this time; however, Biblical Seminary may provide any additional information it would like the Department to consider prior to issuing a final determination.

Instructions for the repayment of any determined liability amount will be provided in the Final Program Review Determination Letter.

D. Appendices

Appendix A (Student Sample) contain personally identifiable information and will be emailed to Biblical Seminary as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendix C:
Biblical Seminary's Written Response

Office of the President

August 14, 2013

Jean Brennan Rines
Federal Student Aid
U.S. Department of Education
100 Penn Square East, Suite 511
Philadelphia, PA 19107

Dear Ms. Rines:

I assumed the Presidency of Biblical Theological Seminary on July 1, 2013 and found the Program Report on my desk.

First, on behalf of our staff, I would like to express appreciation for the professionalism and courtesy extended to us by you and Diane Sarsfield. You and Ms. Sarsfield were not only thorough, but gracious in your conduct toward the Seminary and we appreciated the courtesy. We obviously are disappointed that this situation has arisen, but we are appreciative of the manner in which the audit took place.

We were obviously disappointed by the proposed finding of non-compliance and attached is the Seminary's formal response to the Program Report. What made it more difficult for the Seminary to accept is that but for our own effort to comply with the financial aid regulation by seeking clarification of the regulation from DOE, the non-compliance finding might not have arisen.

Although each of these points will be noted in more detail in the attached response, I want briefly to make the following comments:

- All five students specified in the DoE report are part of our urban graduate program (called the Urban LEAD Master of Divinity degree program). This is a highly innovative program launched in 2009-10 specifically to provide accredited graduate level education for an urban context. This program is directed especially to underserved minority students in one of the most challenging parts of inner-city Philadelphia.
- Each of the students cited in the DoE report was admitted as a graduate student in full compliance with the standards and regulatory specifications of our principal accrediting agency, the Association of Theological Schools (ATS). These are the same regulations recognized by Middle States Commission on Higher Education (MSCHE) and by the Pennsylvania State Department of Education.
- Each of the graduate students cited in the DoE report was admitted under the "exception clause" of our accreditation standards established by ATS. Like the U.S. Department of Education regulatory definition of a graduate student (34 C.F.R. § 668.2), ATS has a similar regulation and rule for admission; viz., "ES.7.1.1: *Students must possess a baccalaureate degree from an institution of higher education accredited by a U.S. agency recognized by the Council for*

Higher Education, or approved by a Canadian provincial quality assurance agency, or the demonstrated education equivalent of a North American baccalaureate degree.” However, the ATS Standards then specify what exceptions (no more than 15% of students admitted) can be accepted as students who do not meet this general standard, noting that “educational equivalency for a baccalaureate degree shall be determined by the institution” (ES.7.1.2). ATS further specifies that “persons admitted without possession of the baccalaureate degree or its educational equivalent shall possess the knowledge, academic skill, and ability necessary for postbaccalaureate studies. Admission of such applicants should be restricted to persons with life experience that has prepared them for theological study at the graduate level. An institution admitting persons without a baccalaureate degree or its educational equivalent shall demonstrate that its process and criteria for evaluating academic ability are educationally appropriate and rigorous” (ES.7.1.4).

- As our staff reviewed the DoE regulations, we found the specific regulation (34 C.F.R. § 668.2, “Graduate or professional student”, p. 465) to be unclear. According to the regulation, students entitled to Title IV loans should have “completed the equivalent of at least three years of full-time study either prior to entrance into the program or as part of the program itself.” This appears to suggest that a student admitted to graduate programs in full accord with the standards of ATS, MSCHE and the Pennsylvania State Department of Education (as noted above) qualifies for a Title IV loan since the educational background of such students has been vetted and deemed by the institution to be “equivalent of at least three years of full-time study”. It is worth noting that this stipulation was found ambiguous by various personnel from the regional office of the DoE, the Regional Customer Care Center with Federal Student Aid, the US Department of Education Federal Loan School Support Team and finally an Institutional Improvement Specialist in Philadelphia (via phone calls and email communications from October 2012 to March 2013)¹. The directives we received not only varied but were sometimes overtly in conflict with the later directives of the DoE.
- Although we are fully in accord with our accrediting agencies—ATS, MSCHE and the Pennsylvania Department of Education, there is nothing in their regulations that address this issue. Furthermore, our research indicates that our understanding of how these regulations interface with Title IV regulations represents a commonly held interpretation — legal counsel we have obtained to review these matters has confirmed the correctness of our original understanding in this.²
- Like many other graduate theological institutions, we have assumed that any student deemed eligible for admission as a graduate student would *ipso facto* be deemed eligible for Title IV student loans. Upon learning that there might be a question of eligibility, we immediately ceased granting any further Title IV loan monies to students applying for admission to our master’s programs without a bachelor’s degree and notified your agency. It has always been our genuine desire to be in full compliance with the DoE in distributing federal loan monies. While this matter is under review, we have modified our Financial Aid procedures to ensure we are well within the bounds of compliance in the following ways:
 - Our Admissions Office must notify the Financial Aid Office of any student under consideration for admission who has not earned an undergraduate degree.

¹ See the attached timeline for the repeated good faith efforts of Biblical Seminary to get clarity from the various offices of the DoE on the regulation.

² See the attached timeline and the consultations with other graduate theological institutions that illustrate the degree of confusion about this regulation.

- The Academic Office will enter into our school-wide computer software system the actual number of undergraduate credits earned by any student admitted without an undergraduate degree.
 - Upon receipt of a FAFSA the Financial Aid Office will review the transcript of any non-baccalaureate student in order to confirm the total number of undergraduate credits earned.
- While we found the factual data of the review report accurate, we noted two minor exceptions. My financial office informs me that: (1) Student # 120 was awarded an unsubsidized loan not a subsidized loan and (2) The loan amount for Student # 126 was not \$8,500, but \$8,490.

From our perspective this not so much a matter of compliance as it is a matter of clarification. We took the initiative to bring this matter to your attention and have made repeated good faith efforts by contacting various departments of the DoE to ensure conformity. In our earnestness to discover whether or not we had operated in accordance with financial aid regulations (due in part to differing interpretations from the DoE), we acted in full integrity by bringing it to your attention. Upon further investigation and review, we believe we acted in accordance with the discretionary latitude afforded to graduate level institutions to establish equivalency guidelines for accepting a limited number of exceptional students who do not possess a baccalaureate degree but who do possess both academic credentials and life experience relevant to the missional goal of the Biblical Seminary.

Additionally, we note that, to have to return loan monies already distributed would represent a cash flow outlay for us that would seriously hamper our ability to provide excellent accredited education to underserved communities in Philadelphia.

We urge you to take these things into account as you formulate your final program review report. As mentioned previously, our formal response to the Program Review Report is attached.

Thank you for your consideration.

Sincerely,

(b)(6); (b)(7)(C)

Frank A. James III, DPhil, PhD
President

BIBLICAL THEOLOGICAL SEMINARY

OPE ID: 02323000

PRCN: 201320328233

RESPONSE OF BIBLICAL THEOLOGICAL SEMINARY TO PROGRAM REVIEW REPORT

Biblical Theological Seminary is a private, non-profit evangelical seminary located in Hatfield, Pennsylvania. As an interdenominational graduate school of theology known for its Missional emphasis, Biblical Theological Seminary (hereinafter the "Seminary") began operation in 1971 and received accreditation for its graduate programs from the Middle States Association of Colleges and Schools (hereinafter "Middle States") in 1990.¹ Middle States is recognized by the U.S. Secretary of Education to conduct accreditation and pre-accreditation activities for institutions of higher education in Pennsylvania and other states including distance education and correspondence education programs. In 1996, the Seminary received accreditation from the Association of Theological Schools ("ATS") in the United States and Canada. The Seminary's accreditation status was last reaffirmed in November, 2012. ATS' accreditation of a theological school is recognized and accepted by Middle States. Middle States accreditation is recognized and accepted by both the Pennsylvania and United States Departments of Education.

Having met the standards required for accreditation by ATS (See Exhibit 1, Standards of Accreditation, attached hereto and made a part hereof), it is important to note that "(t)heological schools accredited by the Commission on Accrediting of the Association of Theological Schools are special-purpose institutions of post-baccalaureate, higher education. Prior to meeting the Standards of Accreditation, these schools must demonstrate that they are qualified for membership...by virtue of offering graduate theological degrees, functioning within the Christian or Jewish faiths and demonstrating that their graduates serve in positions of religious leadership." (Exhibit 1, p.G-1)

The accreditation process involves a thorough inspection of an institution's admission requirements, educational and degree program standards. (See Educational and Degree Program Standards attached hereto and made a part hereof

¹ On March 1, 2013, The Middle States Association of Colleges and Schools was formally incorporated under Pennsylvania law and is now known as the Middle States Commission on Higher Education.

as Exhibit 2, p.G-24through G-75.) Educational Standard 7.1.4 not only recognizes that individuals pursuing a Master of Divinity may not always possess a baccalaureate degree or its equivalent, but permits admission of individuals without baccalaureate degrees or its educational equivalent. "Persons admitted without possession of the baccalaureate degree or its educational equivalent shall possess the knowledge, academic skill and ability necessary for postbaccalaureate studies. Admission of such applicants should be restricted to persons with life experience that has prepared them for theological study at the graduate level. An institution admitting persons without a baccalaureate degree or its educational equivalent shall demonstrate that its process and criteria for evaluating academic ability are educationally appropriate and rigorous." (See Exhibit 2, p. G-36) ATS and Middle States have reviewed and approved the admissions criteria of the Seminary in all respects including the criteria used when determining whether to admit to its Masters' programs those without undergraduate baccalaureate degrees.

The Seminary offers three Masters of Divinity ("M.Div.") degree paths; all accredited by ATS and Middle States. The three M.Div programs are: (a) Master of Divinity; (2) Master of Divinity LEAD Cohort; and (3) Master of Divinity Urban LEAD Cohort. To obtain a Master of Divinity under any of the three programs, a student must accumulate ninety (90) credits. (See Overview of Degree and Non-Degree Programs and Their Assessment Plans attached hereto as Exhibit 3.) Some of the courses required for attaining a Master of Divinity ("M.Div.") are: Hebrew, Greek, Missional Theology, Homiletics and Leadership Development. (See Exhibit 3 and Sample Course Syllabi attached hereto and made a part hereof as Exhibit 4). The LEAD and Urban LEAD programs have a special missional purpose and require completion of a two week international mission trip focusing on the cross-cultural aspects of other countries. In addition, the LEAD and Urban LEAD programs are intensive "in-ministry" programs and require a commitment to attend class one night per week, one Saturday per month and 20 weekends per year. Both programs also require 20 hours per course (4-5 additional hours_per week) of ministerial service and training exercises. The Urban LEAD program has specialized courses designed to prepare students for the unique hardships and challenges of ministry in the urban and minority church context. The two LEAD programs offered by the Seminary are unique to the world of theological academia because of the requirement for ministry service each week and this aspect was approved by ATS and Middle States when conferring accreditation status.

No matter what a student's prior undergraduate or experiential background is, all matriculating students must successfully complete the Master's degree

requirements and all students' performance in the chosen M.Div. program is assessed in the same manner. (See Exhibit 3, p. 6).²

As a graduate school with a Missional focus, the Seminary seeks to prepare its students to be missional leaders who are: (1) personally and spiritually mature; (2) biblically centered; and (3) effective in his or her ministry. Students are evaluated for admission on a case by case basis using this mission statement to assess prior academic and life experience. This includes students who possess an undergraduate baccalaureate degree as well as those who possess Missional experience. As set forth above, the Seminary is permitted to admit those without a baccalaureate degree. When assessing a student's entitlement to federal financial aid, whether through a subsidized or unsubsidized loan, the United States Department of Education has specifically permitted an award of financial aid to an individual who "(2) is enrolled in a program or course above the baccalaureate level or is enrolled in a program leading to a professional degree; and (3) (h)as completed the equivalent of at least three years' of full-time study either prior to entrance into the program or as part of the program itself." 34 C.F.R. Section 668.2(a).

There are no federal guidelines for what constitutes "the equivalent of three years' full time study" prior to entrance into the program and accredited educational institutions are given the discretion and latitude to determine whether an individual's work and, in the case of a theological seminary, an individual's faith based experience should be accepted as the "equivalent of three years' full time study." (See ATS Standards, Exhibit 1) Therefore, it is important to review the prior educational, employment and faith based experience and expertise of each of the individuals admitted without baccalaureate degrees and listed in the Program Review Report as those ineligible for federal financial aid to determine whether the Seminary was justified in concluding that the applicant's missional and spiritual life experience provided the applicant with knowledge, academic skill and ability to meet the educationally and theologically appropriate and rigorous graduate level standards.³

² For example, an individual without a baccalaureate degree is treated the same as an individual with a prior Ph.D. as far as course and program requirements, assessment and/or awarding of grades. Especially and perhaps uniquely in the field of Theology, ministry experience before and during matriculation is a critical element to the admission and post-admission assessment process.

³ It is not the province of either ATS/Middle States or the Department of Education to second-guess the determination made by the Seminary that a particular candidate should be awarded "equivalency credit". However, to support its contention that the five individuals listed in the Program Review Report were eligible to participate in the graduate school Masters of Divinity Program, the Seminary will summarize the factors leading to the decision to admit these individuals.

Generally, to be considered for any of the Master's level programs, the student must complete the application and have received a Bachelor's degree from an accredited college or university with a minimum cumulative grade point average of 2.0. However, ATS permits acceptance of students without a Bachelor's degree so long as the number of students does not exceed 15% of entering students. Thus, the ATS standards for accreditation contemplate the admission of non-degreed students. The Seminary grants exceptions to the Baccalaureate degree requirement only after an evaluation of the candidate's academic history, work history and ministry qualifications by the program recruiter, program director and the Vice President for Student Advancement. Each applicant was interviewed extensively by an admissions committee in an effort to gauge the applicant's ability to meet the rigorous faith based curriculum offered by the Seminary. Factors that are considered and accepted by ATS/Middle States are: (1) the candidate's current and/or prior ministry experience; (2) the candidate's potential for future ministry; (3) the candidate's maturity level that would enable him or her to succeed at the graduate education level. A review of the qualifications of each student cited in the Report follows. Each of these students was admitted to the Masters of Divinity Urban LEAD course of study which has specialized courses uniquely designed to prepare students for the hardship and challenge of ministry in an urban and minority church context. Therefore, the background and experience in an urban ministry was given great weight by the Seminary — again, as permitted by ATS accreditation standards.

1. Student 22 – At the time of this student's admission, he was a (b)(6); (b)(7)(C) who had attended (b)(6); (b)(7)(C) and earned a Certificate of Pastoral Studies. He was an ordained minister. Previously, this student earned 24 post-secondary credits from ITT institute. Beginning at age 17, Student 22 served at total of five years as a Youth Minister to two different congregations in the inner city. Thereafter, Student 22 became an Associate Pastor serving with a senior pastor ministering to church congregants. In May, 2007, Student 22 enrolled in the Study and Training for Effective Pastoral Ministry (S.T.E.P.) at Eastern Mennonite University where he earned thirty-three credits, a certificate of pastoral studies and, thereafter was ordained as a minister. In July of 2009, Student 22 established a new branch of his home church; starting with 6 English-Speaking Latinos and growing to a membership of more than thirty (30) congregants. At the time of admission to the Seminary, Student 22 was the Lead Pastor of the Family Christian Fellowship Church handling all aspects of church management and spiritual ministry. Although already ordained as

a minister, Student 22 requested admission to the Seminary's Urban LEAD Masters of Divinity Program to minister and teach the doctrines and tenets of his faith in an urban setting. He was recommended for admission to the Master's program by the (b)(6); (b)(7)(C) (b)(6); (b)(7)(C) the ordination institution. In addition to his full time work as Pastor of the (b)(6); (b)(7)(C) Student 22 was employed as a (b)(6); (b)(7)(C) where he administered the Workfirst NJ program; again demonstrating his commitment to service to the urban community. Student 22 also maintained licensure as a realtor and he had been continuously employed since 1999 reflecting stability, maturity and commitment.

Clearly, Student 22's maturity, qualifications, work history, prior academic experience, and most importantly commitment to pastoral studies and ministry justified the Seminary's determination that Student 22 possessed the equivalent of at least three years' baccalaureate studies. To date, Student 22 has earned 63 credits towards his Masters degree while continuing his full time ministry and pastoral duties and maintaining a 3.5 GPA.

2. Student 32 – At the time of this student's admission she was approximately (b)(6); (b)(7)(C) and was an ordained pastor teaching in the (b)(6); (b)(7)(C) (b)(6); (b)(7)(C) She attended (b)(6); (b)(7)(C) and then attended the Leadership and Mentoring Program (LAMP) in Biblical Studies offered by (b)(6); (b)(7)(C) where she earned 9 credits and had a 3.23 GPA. Previously, student 32 had served in (b)(6); (b)(7)(C) working with the homeless in an urban context while serving as the Associate Minister at Christ Bible Fellowship. Student 32, who came highly recommended by her pastor, requested that consideration be made for her to be a student in Biblical's Urban Lead Program so that she could learn skills that would enable her to minister to those in her church and in the community grounded in solid doctrine with practical application. At the time of admitting student 32 into the program she had 25 plus years of ministry experience. Additionally, her life experience included difficult and challenging experiences that are confidential to the seminary and from which she was redeemed through the grace of Jesus Christ. The Seminary's assessment was that through her commitment to help non-working women she would be able to reach many who shared her previous and difficult circumstances in a way that others with higher credentials could not. In addition, she spent 19 years as a publishing company proofreader, which

demonstrated her academic acumen, erudition, and writing ability. To date student 32 has earned 80 credits and currently has a GPA of 3.295 which she has earned while continuing her pastoral duties.

3. Student 52 – At the time of this student’s admission to the Masters of Divinity, Urban LEAD program, he was a (b)(6); (b)(7)(C) who had already served for three years as the Senior Pastor of the (b)(6); (b)(7)(C) in urban Philadelphia, Pennsylvania. He previously worked for three years as the Associate Minister at the same church and from 1990-1997, Student 52 worked as an Associate Minister at the (b)(6); (b)(7)(C). Between 1995 and 2005, Student 52 also founded the (b)(6); (b)(7)(C) an outreach and evangelical ministry, served as an Evangelism Outreach Coordinator working in prisons, hospitals and rehabilitation centers, and a Facilitator for the American Bible Society where he conducted faith-related seminars and workshops.

Student 52 was licensed to preach the gospel of Jesus Christ in 1989 and in 1994, Student 52 was ordained to the position of Reverend by the (b)(6); (b)(7)(C). This ordination allowed Student 52 to perform all religious services as a licensed minister. Student 52 also attended (b)(6); (b)(7)(C) from (b)(6); (b)(7)(C). He received enthusiastic endorsements from church officials. Despite the lack of a Baccalaureate Degree, Student 52 was awarded an Honorary Doctorate of Divinity from the (b)(6); (b)(7)(C) in 2006.

Student 52 was awarded a Master of Divinity in June 2013 and graduated with a 3.5 GPA. There has been no default in the repayment of his loan.

4. Student 120 – Student 120 was admitted to the Master of Divinity Urban LEAD program at the age of (b)(6); (b)(7)(C) while serving as the Youth Leader, Worship Leader and Training Elder at (b)(6); (b)(7)(C). Previously, he attended both (b)(6); (b)(7)(C) and (b)(6); (b)(7)(C) where he earned 42 college credits. He received excellent recommendations from his church and has been involved in the ministry for many years. His experience in the urban environment addressing issues such as addiction and abuse made him an ideal applicant for the Urban LEAD Masters program as that program is designed to serve those typically underserved in the community of faith.

Student 120 was awarded a Masters of Divinity in June 2013 with a 3.1 GPA. There has been no default on the Title IV loans.

5. Student 126 – At the time of his admission to the Seminary, Student 126 was 45 years old and had served with the Philadelphia Fire Department as a Paramedic for ten years and Employee Assistance Program counselor for five years demonstrating stability, maturity and leadership as well as compassion and caring; traits central to Ministry training. He had earned college credit from the Community College of Philadelphia in Behavioral Health and for three years, attended a Leadership and Mentoring Program (LAMP) in Biblical Studies offered by CityNet Ministries where he earned 13 credits and left with a GPA of 3.35. Student 126 worked in his urban Philadelphia community preaching and ministering to those who are disadvantaged and was a leader both in his church and community. In 2003, Student 126 and his wife planted a church in their home. Due to Student 126's leadership, the church outgrew his home, outgrew its next home in a storefront and in 2007, moved to a church building. The Christian church has flourished in an Islamic neighborhood of the Kensington section of Philadelphia owing to the ministry of Student 126.

Student 126 earned his Master of Divinity in June 2013 with a 3.27 GPA average.

A review of the information relating to the five candidates who were deemed ineligible for federal financial aid in the Program Review Report, the accreditation standards of ATS which govern the Seminary's admission of students to its Graduate programs and give discretion to the Seminary to determine what constitutes "equivalency" to a Baccalaureate degree for theological studies and the federal government's own permission to provide funding where equivalency has been determined by the educational institution leads to the inevitable conclusion that the Seminary should not be held in violation of the financial aid guidelines and should not be required to repay any of the amounts awarded to its students.⁴ The Seminary exercised the discretion given to it to determine that the work experience and ministry experience of its applicants justified admission to its Masters of Divinity program. The determination made by the Seminary that an applicant

⁴ It is also significant to note that for the past three years, the default rate for loans awarded by the federal government through the Seminary's financial aid department has been \$0.00 (zero dollars).

should be admitted to the program and therefore eligible for financial aid should not be overturned.

RESPECTFULLY SUBMITTED,

Eastburn and Gray, P.C.

By: (b)(6); (b)(7)(C)

Joanne D. Sommer
Attorney for Biblical Theological Seminary

Appendix D
Estimated Actual Loss Calculation

Estimated Loss Formula

8/29/2012

Enter Institution Name

Biblical Theological Seminary

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	2009-2010	\$ 8,490.00	0.00%	1.00%	\$ 84.97
2 DL Unsubsidized	2009-2010	\$ 41,889.00	0.00%	-30.87%	\$ -
3 DL Subsidized	2010-2011	\$ 10,445.00	0.00%	8.73%	\$ 911.44
Description		\$ 60,824.00			\$ 996.41

4 DL Unsubsidized	2010-2011	\$ 29,997.00	0.00%	-21.88%	\$ -
5 DL Subsidized	2011-2012	\$ 15,757.00	0.00%	-0.79%	\$ -
6 DL Unsubsidized	2011-2012	\$ 25,243.00	0.00%	-30.33%	\$ -
Description		\$ 70,997.00			\$ -

7					
8					
9					
Description		\$ -			\$ -

10					
11					
12					
Description		\$ -			\$ -

Original Ineligible Loan Liability \$ 131,821.00 Total Estimated Loss \$ 996.41

School CDR	Sector CDR*	Ratio**	DSR ***	Adjusted DSR	Avg Cons Prepay %	Cons Prepay %	Cons BSR	Conv OIS	
A	B	C	D	E	F	G	H	I	
1 0.00%	7.30%	-	2.01%	0.00%	0.53%	2016	31.8%	3.09%	-1.51%
2 0.00%	7.30%	-	2.46%	0.00%	-29.99%	2016	39.7%	3.42%	-5.65%
3 0.00%	7.30%	-	1.69%	0.00%	8.10%	2017	31.8%	2.99%	-1.02%

4 0.00%	7.30%	-	2.34%	0.00%	-21.73%	2017	40.1%	3.16%	-3.54%
5 0.00%	7.30%	-	2.44%	0.00%	-2.22%	2018	31.8%	3.19%	1.30%
6 0.00%	7.30%	-	2.28%	0.00%	-31.28%	2018	40.2%	3.39%	-1.02%

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

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).

Appendix E

Estimated Actual Loss Description

The Estimated Actual Loss Formula (EALF) is used for only certain types of findings on ineligible FFEL and Direct Loan liabilities. The EALF estimates (1) the principal amount that has or will default; and (2) the interest and special allowance on the entire ineligible loan amount.

The EALF uses an institution's applicable cohort default rate (CDR) to estimate the amount of defaults from the ineligible principal amount. This is usually the institution's latest published CDR. Draft CDRs are not used unless there is no prior CDR.

Example:	Ineligible Principal Loan Amount	\$100,000
	Cohort Default Rate	10.0%
	Estimated Default Amount Due	\$ 10,000

The EALF calculates interest and special allowance (SA), where applicable, on the entire amount of ineligible loan principal. The number of days used to calculate interest and special allowance is based on average historical data for various time periods for different types of schools.

Period	School Type	One-Year	Two-Year	Four-Year	Rate Types
Disbursement to Repayment		584	774	969	Interest & SA
Repayment to Default		418	498	619	SA
Repayment to Paid In Full		1659	1580	1712	SA

The EALF uses the actual interest rates in effect when the ineligible loans were disbursed and an annualized average of the quarterly special allowance rates in effect. The EALF divides the number of days in each time period so that changes in interest and special allowance rates are considered. The EALF also assumes that the ineligible loans were made in two disbursements after a 30-day delay.

Example for the Disbursement to Repayment Period for a Two-Year Institution (2004-05)

Variable Rate Ineligible Loans: \$40,000 subsidized and \$60,000 unsubsidized
 Interest Rates: 04-05 (2.77), 05-06 (4.70), 06-07 (6.54)
 SA Rates: 04-05 (1.45), 05-06 (1.55), 06-07 (0.53)

Subsidized Loan Amount (Interest and Special Allowance)
 $\$40,000/2 \times (451 \times (.0422/365))$
 $+ \$40,000/2 \times (730 \times (.0625/365))$
 $+ \$40,000/2 \times (367 \times (.0707/365)) = \$4,964.61$

$$\begin{aligned} &\text{Unsubsidized Loan Amount (Special Allowance Only)} \\ &\quad \$60,000/2 \times (451 \times (.0145/365)) \\ &\quad + \$60,000/2 \times (730 \times (.0155/365)) \\ &\quad + \$60,000/2 \times (367 \times (.0053/365)) = \$1,627.36 \end{aligned}$$

NOTE: The number of days of 774 for this time period is doubled to 1548 (451+730+367) because the principal amount is divided by two.

Similar calculations are made for the other two periods. The total liability is the sum of the default amount with the interest and special allowance calculations for all three periods.