



October 18, 2013

Mr. Jack D. Massimino
Chief Executive Officer
Corinthian Colleges, Inc.
6 Hutton Centre Drive, Suite 400
Santa Ana, CA 92707-5764

Certified Mail
Return Receipt Requested
#: 70070710000106750467

RE: **Everest College Phoenix**
Final Program Review Determination
OPE ID: 02295000
PRCN: 201110927371

Dear Mr. Massimino:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on March 7, 2011, covering Everest College Phoenix's (Everest'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 2009-10 and 2010-11 award years. Everest's response was received on April 6, 2011. A copy of the program review report (and related attachments) and the institution's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Everest upon request. 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 the 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 Everest from this program review are \$9,727.30. This FPRD contains detailed information about the liabilities determination for all findings.

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. The appendix was 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 March 7, 2011 program review report. If Everest wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, Everest must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date Everest receives this FPRD. An original and four copies of the information Everest 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/SESG
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

Everest'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. 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 Everest'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).

If the institution has any questions regarding this letter, please contact Adeline Espinosa at (415) 486-5532. 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)

Martina Fernandez-Rosario
Division Director
San Francisco/Seattle School Participation Division

Enclosures:

**Protection of Personally Identifiable Information
Final Program Review Determination**

cc: Ms. Linda Kaye Buchanan, Assistant Vice President, Corinthian Colleges, Inc.
Arizona State Board for Private Postsecondary Education
North Central Association of Colleges and Schools
USA Funds

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).

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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
Everest College Phoenix

OPE ID 02295000
PRCN 201110927371

Prepared by:
U.S. Department of Education
Federal Student Aid
San Francisco/Seattle School Participation Division

Final Program Review Determination

October 18, 2013

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A. Institutional Information

Everest College Phoenix
8160 South Hardy
Tempe, AZ 85284

Type: Proprietary

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: Higher Learning Commission, North Central Association of Colleges and Schools

Current Student Enrollment: 4,427 (as of October 25, 2010). NOTE: Everest College Phoenix (Everest) is composed of two ground locations (Phoenix and Mesa) and an on-line operation located in Phoenix. The enrollment at the on-line operation as of October 25, 2010 was 4,427.

% of Students Receiving Title IV at the Phoenix on-line operation as of October 25, 2010 was 98.17%.

Title IV Participation:¹

	<u>Award Year 2008-09²</u>	<u>Award Year 2009-10³</u>
Federal Pell Grants (Pell)	\$13,995,198	\$30,900,169
Federal Supplemental Educational Opportunity Grants (FSEOG)	\$5,787	\$90,515
Federal Family Education Loans (FFEL)	\$45,424,254	\$61,785,371
Federal Direct Loans (FDL)	\$1,141,328	\$7,543,661
Federal Work Study (FWS)	\$13,527	\$7,352
Default Rate FFEL/DL: 2008	20.4%	2007 3-year Trial Default Rate: 30.1%
2007	13%	
2006	10.5%	

¹ Note that Title IV funds reported for Everest College, Phoenix includes funds disbursed to recipients at the two ground locations as well as the on-line operation. The funding systems do not segregate funding by these separate locations.

² Funding as reported by the Department's Postsecondary Education Participants System (PEPS).

³ Funding as reported by the Department's National Student Loan Data System (NSLDS) for Pell, FFEL, and FDL; and as reported by the Department's G5 System for FSEOG and FWS.

B. Scope of Review

The U.S. Department of Education (the Department) conducted an on-site program review at the on-line operation of Everest College located in Phoenix, Arizona (Everest) from November 1, 2010 to November 5, 2010. The review was conducted by Donna Wittman, DeNise Hill, and Adeline Espinosa of the San Francisco/Seattle School Participation Division (SPD).

The focus of the review was to determine Everest's compliance with the statutes and federal regulations as they pertain to the institution's administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C §§ 1070, *et seq.* (Title IV, HEA programs). The review consisted of, but was not limited to, an examination of Everest's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, the distance education delivery system, and student account ledgers.

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 award years. The student files were selected randomly from a statistical sample of the total distance education population receiving Title IV, HEA program funds for each award year. Appendix A identifies the students whose files were examined during the program review. In order to protect personally identifiable information, Appendix A will be provided to the institution electronically, encrypted and password protected. A Program Review Report was issued on March 7, 2011.

Disclaimer:

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

The issuance of this Final Program Review Determination (FPRD) does not preclude the Department from conducting additional testing for any area of non-compliance identified herein in a subsequent program review or compliance audit for the award years included in the scope of this program review.

C. Findings and Final Determinations

Resolved Finding

Finding 3

Everest has taken the corrective actions necessary to resolve Finding 3 of the program review report. Therefore, this finding may be considered closed. Please refer to Appendix B for a copy of Everest's written response to this finding. Findings requiring further action by Everest are discussed below.

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 Everest's response to the finding, and the Department's final determination for that finding. A copy of the Program Review Report (PRR) issued on March 7, 2011, is attached as Appendix C.

Finding 1. Title IV Funds Used to Pay Improper Tuition Overcharges

Citation Summary: An institution may use Title IV funds to credit a student's account at the institution to satisfy current year charges for tuition and fees, board, room and, if the student's or parent's authorization is obtained:

- (a) Prior year charges not to exceed \$200; and*
- (b) Other educationally related charges incurred by the student at the institution.*

34 C.F.R. § 668.164(d).

Noncompliance Summary: Student #1's enrollment contract, dated February 7, 2008, provides for tuition of \$367 per hour and a start date of April 14, 2008. Everest charged the student the contract price of \$367 per credit for her first quarter. For each quarter thereafter, Everest posted charges of \$4,848 per quarter, for a total of \$5,020 in excess of the tuition set forth in the student's contract, as follows:

<i>Quarter Start Date</i>	<i>Quarter End Date</i>	<i>Credit Hours</i>	<i>Tuition Per Contract</i>	<i>Actual Tuition Billed</i>	<i>Over-charge</i>
4/14/2008	7/15/2008	12	\$4,404	\$4,404	\$0
7/14/2008	10/4/2008	12	\$4,404	\$4,848	\$444
10/13/2008	1/10/2009	12	\$4,404	\$4,848	\$444
1/12/2009	4/5/2009	12	\$4,404	\$4,848	\$444
4/13/2009	7/5/2009	12	\$4,404	\$4,848	\$444
7/13/2009	10/4/2009	12	\$4,404	\$4,848	\$444
10/12/2009	1/10/2010	12	\$4,404	\$4,848	\$444
1/11/2010	4/4/2010	12	\$4,404	\$4,848	\$444
4/12/2010	7/3/2010	8	\$2,936	\$4,848	\$1,912
<i>Total</i>					\$5,020

Title IV disbursements of Pell and FFEL funds were used to satisfy the tuition and tuition overcharges.

Student #23 signed an enrollment contract dated June 19, 2008 providing for a tuition rate of \$367 per credit hour. The contract further provided:

Tuition and fees listed below are current as of the date of this agreement and will be charged for the student's first quarter (or mini-term) in attendance. Tuition and fees for subsequent quarters will be charged at the published rate in effect at the beginning of that quarter, provided that the student is given 30 days advance notice of any increase in tuition rates.

The student's first quarter in attendance started July 14, 2008. The student was enrolled for 12 credit hours for the first and second quarters. There is no documentation in the file indicating that the student was given any notice of an increase in tuition rates. The student's ledger reveals that the student was actually charged tuition at the rate of \$4,844 per quarter, regardless of the credit hours of enrollment.⁴

The student's ledger reflects the following charges and overcharges to her account:

<i>Quarter Start Date</i>	<i>Quarter End Date</i>	<i>Credit Hours</i>	<i>Tuition Per Contract</i>	<i>Actual Tuition Billed</i>	<i>Over-charge</i>
7/14/2008	10/4/2008	12	\$4,404	\$4,844	\$440
10/13/2008	1/10/2009	12	\$4,404	\$4,844	\$440
1/12/2009	4/5/2009	12	\$4,404	\$4,844	\$440
4/13/2009	7/5/2009	8	\$2,936	\$4,844	\$1,908

⁴ Student #23 withdrew on October 3, 2009 and did subsequently re-enroll under a contract dated December 10, 2009, whereby the tuition was \$4,844 per quarter.

7/13/2009	10/4/2009	8	\$2,936	\$4,844	\$1,908
<i>Total</i>					\$5,136

Title IV disbursements of funds from the Pell and FFEL programs were used to satisfy the tuition overcharges.

Everest officials stated that Everest increased its tuition in June 2008 and did not send individual notices to students regarding the increase. It stated that it did post a "message" to students on its online "message center" on the evening of June 13, 2008 indicating that a tuition increase to \$404 per credit hour would be going into effect beginning in July 2008. Everest asserts that its blanket website "message" was intended as a notice as set forth in the student contracts. Student #23 was not in attendance until July 14, 2008, was not enrolled and did not have access to the "message center." As to Student #1, while the student was enrolled and active when the notice was posted on the "message center," the student had no reason to go to the message center unless directed there by Everest with a notice of the need to go to the message center for notice of a tuition increase. Everest does not send monthly or even periodic billings or notification of account charges to students. Students would have no reason to question charges about which they are unaware.

Everest automatically enrolls students each quarter and automatically posts charges to students' accounts without providing them notification of the status of their accounts until they have completed their program or withdrawn, at which time they learn that they have incurred tuition expenses and total costs in excess of those set forth in their contracts. At the time of enrollment, students are provided confirmed budgets and financial aid awards, information on which the student relies at the time of enrollment. Only after Everest has posted tuition costs in excess of those represented at the time of enrollment, does the student learn of the status of his or her account and the existence of debt in excess of that originally represented.

Further, the posting of a notice on a website bulletin board is not sufficient to notify a student that the terms of his or her signed contract have been changed. Notice to a student must, at a minimum, be directed to the student and alert the student in some way that his or her contract terms have changed.

Required Action Summary: *In response to this finding, Everest was to provide any and all documents that it asserts provide at least 30 days notice of a tuition increase that substantiates the charges to the accounts of Student #1 and Student #23. If unable to provide such notice, Everest was required to refund to each student, either by credit to his or her institutional account, by return of FFEL loan funds to the appropriate lender, or by direct payment to the student, all amounts charged in excess of the tuition or other charges identified in the enrollment contract.*

Everest's Response: In response to this finding, Everest strongly disagreed with the finding and provided additional information on their position, along with copies of the enrollment agreements and student ledger cards for Student #1 and Student #23 as supporting documentation. Everest asserted that Students #1 and #23 were charged appropriately according to the enrollment agreements they signed and that Student #23 signed two enrollment agreements, the latter of which indicated a charge of \$4,844 (the higher amount) in tuition. This enrollment agreement was signed on June 24, 2008. Everest further asserted that the program review report statements with respect to students having no reason to check the message center and not sending individual notices to students were incorrect. Per Everest, when online students are enrolled and prior to beginning class, they are provided with login information to enter eCollege. This is the virtual classroom site. The message board automatically appears each time a student logs on to eCollege. In addition, the institution published an addendum to its catalog, effective June 5, 2008, to reflect the increased tuition charges and a message was posted to eCollege on June 13, 2008 as official notification of the increase in tuition. Everest further quotes the Federal Student Aid Handbook (2007-08) with respect to how an institution may provide information regarding tuition charges. Specifically the Handbook notes that such notification may be provided by direct mail to each individual student through the U.S. Post Office, by campus mail, or electronically directly to an e-mail address. Everest believes the posting to the message board satisfies the requirement to provide individual notification to students electronically. Everest's complete response to the written PRR may be found in Appendix B to this FPRD.

Final Determination: For Student #23, since the student signed a revised enrollment agreement prior to beginning classes, acknowledging the increase in tuition, the Department believes this satisfies the finding and no further action on this student's case is required.

However, for Student #1, there is no evidence the student received the information, as required, about the increased tuition. Although Everest explains that posting a message on its eCollege message board, which is a virtual classroom for students, satisfies the Department's required individual e-mail notifications, in fact this does not satisfy the Department's requirements for individual notifications. The language quoted by Everest, in its response, also appears in federal regulations at 34 C.F.R. § 668.41 under the definition of "Notice." The definition is "...a notification of the availability of information an institution is required ...to disclose, provided to an individual on a one-to-

one basis through an appropriate mailing or publication, including direct mailing through the U.S. Postal Service, campus mail, or electronic mail. Posting on an Internet website or an Intranet website does not constitute a notice." This last sentence is significant as it appears the eCollege message board is an Intranet site and does not satisfy the requirements of disclosure to students.

Based on this and as the Department stated in the PRR, Everest must refund to Student #1 all amounts charged in excess of the tuition and other charges identified in the enrollment contract. The amount due to Student #1 for overcharges is \$5,020. Additional instructions on repaying this amount to the student are provided below in this FPRD.

Finding 2. Inadequate Documentation to Resolve Inconsistent and Discrepant Information in File Marked for Verification

Citation Summary: The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. 34 C.F.R. § 668.16 requires institutions to develop an adequate system to ensure the consistency of information related to a student's application for federal student aid, regardless of the source of that information. The institution is responsible for reconciling all information received, with one exception: if the applicant dies during the award year, it is not required to pursue the resolution of conflicting data.

If an institution has reason to believe that any information on an application used to calculate a student's estimated family contribution (EFC) is inaccurate, it must require the applicant to verify the information that it has reason to believe is inaccurate. 34 C.F.R. § 668.54(a)(3).

Noncompliance Summary: The 2009-10 Institutional Student Information Record (ISIR) of Student #24 was marked for verification. The file contained a 2009-10 Verification Worksheet certifying that on September 29, 2009, the student had one child, a one-month old. Seven months later, on April 3, 2010, the student certified that she had one child, a one-month old. Another verification worksheet, dated two months later, stated the child's age as ten months old. This student's 2010-2011 ISIR #01 indicates that she was independent. Subsequently, ISIR #02 was processed indicating that the student was dependent. There is no documentation in the file that resolves these discrepancies.

Required Action Summary: In response to this finding, Everest was required to attempt to resolve the discrepancy for the above student. If Everest was unable to resolve and adequately document the resolution, Everest was required to return all Title IV funds disbursed in the name of the student. Everest was also required to establish and implement an adequate system to ensure the consistency of information related to a student's application for federal student aid. Such procedures must assure the identification of inconsistencies and establish a procedure for reconciling inconsistent information.

In its response to the PRR, Everest was required to provide a copy of all documentation that substantiates the resolution of the above discrepancies for the student identified in this finding. Everest was also required to provide a copy of the policies and procedures established to correct this finding.

Everest's Response: Everest concurred with this finding and has reviewed its policies and procedures with appropriate staff. Everest also indicated that the school understands its responsibility with respect to performing verification on all selected ISIRs, notifying students when they are selected for verification and the steps to be taken toward completion of the process, including resolving inconsistent information. Everest has put in place a system to track all received documentation and determine whether it is complete, conflicting, or otherwise problematic, and the student is ready to be awarded.

Final Determination: Although Everest has agreed with this finding and has taken the necessary steps toward reviewing and updating its systems to prevent the institution from duplicating the error in the future, the discrepancies for Student #24 were not resolved. Funds must be returned in accordance with the instructions provided in this FPRD. The total amount includes \$4,612.83 in Federal Pell Grants (\$4,592 in Pell Grant disbursements to this student and \$20.83 in interest). In addition, Everest will be responsible for repaying the estimated loss to the federal government on the subsidized and unsubsidized loans disbursed to this student, rather than the principal amount of the loans (the total principal amount is \$9,455). The estimated loss for the ineligible loans is based on Everest's most recent cohort default rate available. As a result, the estimated loss that Everest must pay to the Department for the ineligible loans is \$94.47. A copy of the results of that calculation is included as Appendix E. This amount includes interest from the time the loans were disbursed up until the date of the issuance of the PRR. See Section E of the FPRD for payment instructions.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review is as follows. This information is provided so that the institution understands the liabilities associated with each finding.

Established Liabilities	
Finding 1	\$5,020.00
Finding 2	\$4,707.30
TOTAL	\$9,727.30
Payable To:	
Student	\$5,020.00
Department	\$4,707.30

E. Payment Instructions

1. Liabilities Owed to the Department

Everest owes to the Department \$4,707.30. 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 finding(s) and Section 2 – 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: \$4,707.30
DUNS: 169959157
TIN: 330717311
PRCN: 201110927371

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. Everest 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 Everest'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
Office of the Chief Financial Officer
Accounts Receivable Group
550 12th Street, SW, Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, Everest 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 Everest from the federal government. **Everest may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Everest 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.

2. Grant Closed AY - Payment Instruction

Finding: #2

Everest must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$892.00	\$5.47	Pell	2009-10
\$3700.00	\$15.36	Pell	2010-11
Total Principal	Total Interest		
\$4592.00	\$20.83		

The disbursement record for the student identified in the appendix to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount (principal) identified in the appendix. 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 check, the Department will apply the principal payment to the applicable G5 award. Interest will be applied to the general program account.**

A copy of the adjustment to each student's COD record must be sent to Adeline Espinosa within 45 days of the date of this letter.

3. Liabilities Owed to Students

Everest must make a good faith effort to pay, to the students noted in Finding 1, the amount of \$5020.00. If Everest cannot locate the student, payment must be made to the account of the program from which the award was made. If that cannot be determined, the funds must be paid in the order required for the return of funds specified in 34 C.F.R. § 668.22(i):

- Unsubsidized Federal Stafford loans
- Subsidized Federal Stafford loans
- Unsubsidized Federal Direct Stafford loans
- Subsidized Federal Direct Stafford loans
- Federal Perkins Loans
- Federal PLUS loans received on behalf of the student
- Federal Direct PLUS received on behalf of the student
- Federal Pell Grants
- Academic Competitiveness Grants
- National SMART Grants
- FSEOG Program aid

TEACH Grants

Everest must provide proof of payment made to the student or, if the student cannot be located, to the appropriate program account, by submitting a copy of the front and back of the canceled check to Adeline Espinosa **within 45 days of the date of this letter.**

F. Appendices

Appendix A: Student Files Reviewed contains personally identifiable information and will be emailed to Everest as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email.

Appendix B: Institution's Written Response (dated April 5, 2011).

Appendix C: Program Review Report (dated March 7, 2011).

Appendix D: Cost of Funds

Appendix E: Estimated Actual Loss

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.

Final Program Review Determination

Appendix E

Estimated Actual Loss

Estimated Loss Formula

Enter Institution Name		Everest College Phoenix			
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	\$3,485.00	6.20%	2.71%	\$ 94.47
2 DL Unsubsidized	2009-2010	\$ 5,970.00	6.20%	-28.78%	\$ -
3					
Description		\$ 9,455.00			\$ 94.47
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 9,455.00	Total Estimated Loss		\$ 94.47

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	6.20%	7.30%	0.85	2.01%		10.53%	2016	31.8%	3.09%	5.16%
2	6.20%	7.30%	0.85	2.46%			2016	39.7%	3.72%	5.65%
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.