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COPY FOR YOUR INFORMATION

April 21, 2014

Ms. Julie A. Fritzsche
President
Hairmasters Institute of Cosmetology
506 South McClum Street
Bloomington, IL 61701-5547

Certified Mail Return Receipt Requested
7012 1640 0000 0215 7309

RE: **Final Program Review Determination**
OPE ID: 03002000
PRCN: 201210527792

Dear Ms. Fritzsche:

The U.S. Department of Education's (Department's) Chicago/Denver School Participation Division issued a program review report on November 5, 2013 covering Hairmasters Institute of Cosmetology's (Hairmasters) 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), for the 2001-2011 and 2011-2012 award years. The institution's final response was received on January 2, 2014.

The Chicago/Denver School Participation Division has reviewed Hairmasters' responses to the Program Review Report. A copy of the program review report (and related attachments) and Hairmasters' responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Hairmasters 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.

Hairmasters' responses have resolved all findings. In addition Hairmasters has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, Hairmasters may consider the program review closed with no further action required.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

If you have any questions please call Herschel D. Wallace III at (312) 730-1537.

Sincerely,

(b)(6)

Douglas A. Parrott
Division Director

Enclosure: Program Review Report (with attachments)
Hairmasters Response to the Program Review Report

cc: Ms. Charlotte Ritter, Financial Aid Administrator
Illinois Department of Financial and Professional Regulations
National Accrediting Commission of Cosmetology Arts and Sciences

START HERE GO FURTHER FEDERAL STUDENT AID

Prepared for

Hairmasters Institute of Cosmetology

OPE ID 03002000
PRCN 201210527792

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Team - Chicago

Program Review Report

November 20, 2013

Federal Student Aid, Chicago/Denver School Participation Division
500 W. Madison St. Room 1576
Chicago, IL 60661
www.FederalStudentAid.ed.gov

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A. Institutional Information

Hairmasters Institute of Cosmetology

Type: Proprietary

Highest Level of Offering: Non- Degree 1 Year (900-1799 Hours)

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 115 (2010-2011 Academic Year)

% of Students Receiving Title IV: 74% (2010-2011 Award Year)

Title IV Participation CMONET School Funding Report:

	2010-2011 Award Year
Federal Pell Grant Program	$262,529.00
FDLP Stafford Subsidized Loan	378,542.00

Default Rate FFEL/DL: 2009: 17.1%
2008: 12.9%
2007: 10.5%

Default Rate Perkins: N/A

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Hairmasters Institute of Cosmetology (Hairmasters) from December 5, 2011 to December 9, 2011. The review was conducted by Herschel D. Wallace III and Michael Powers.

The focus of the review was to determine Hairmasters' 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 Hairmasters' 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 30 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. An additional three files were selected to satisfy verification and Return of Funds requirements. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial 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 Hairmasters' specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Hairmasters 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 Hairmasters to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding No. 1: Consumer Information Requirements Not Met

Citation: 34 C.F.R § 668.165(a)(2)(i)(ii) and (b)(1)(ii)(2)(i)(ii) of the Student Assistance General Provisions state that if an institution credits a student's account at the institution with Direct Loan, Federal Perkins Loan, or TEACH Grant Program funds, the institution must notify the student or parent of the anticipated date and amount of the disbursement

and the student's right or parent's right to cancel all or a portion of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan. Furthermore, if an institution obtains written authorization from a student or parent, the institution may hold on behalf of the student or parent any Title IV, HEA program, funds that would otherwise be paid directly to the student or parent under § 668.164(e). In obtaining the student's or parent's authorization to perform an activity described in paragraph (b)(1) of this section, an institution may not require or coerce the student or parent to provide that authorization and must allow the student or parent to cancel or modify that authorization at any time.

Noncompliance: The reviewers observed that Hairmasters did not have an adequate authorization statement for students or parents that provided students or parents the information or opportunity to properly understand what is required when allowing the institution to retain a student's or parent's credit balance (disbursement).

Required Action: In response to this program review report, Hairmasters must provide documentation that it has established a procedure and document that provides the proper information to students and parents about allowing the institution to retain a credit balance due to the student or parent. Hairmasters must make clear to the student or parent that the statement allows the student or parent to accept or reject the request to retain the credit balance for future charges and that a loan can be cancelled or modified at any time.

Finding No. 2: Information In Student File Inconsistent

Citation: 34 CFR 668.16(f) of the Student Assistance General Provisions state that an institution is responsible for developing and applying an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs.

Noncompliance: The reviewers observed that Student #24 filed a joint 2010 federal tax form but was awarded by Hairmasters based upon being divorced or widowed with no documentation that the student was divorced or widowed.

Required Action: Hairmasters must resolve the conflicting information for Student #24. If the student's EFC, scheduled award, and expected disbursement change as a result of the resolution of the conflicting information, the institution is liable for the difference between the correct disbursement and the actual disbursement. Hairmasters must provide documentation to support that it has awarded Student #24 based upon correctly submitted information.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

Finding No. 3: Entrance/Exit Counseling Deficiencies

Citation: 34 C.F.R. § 685.304(b)(1)(2)(3) of the William D. Ford Federal Direct Loan Program regulations states that a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower shortly before the student borrower ceases at least half-time study at the school.

The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions.

If a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling required, exit counseling must be provided 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 school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

Noncompliance: The reviewers observed that Hairmasters did not have documentation that exit loan counseling had been completed for Students No. 7, 11, 13, 17, and 31.

Required Action: In response to this program review report, Hairmasters must provide documentation that it has modified its exit loan counseling procedures to include verification that exit loan counseling documentation is maintained in a student's file. Hairmasters must also provide documentation that it has mailed the required exit counseling information to Students No. 7, 11, 13 17, and 31.

Finding No. 4: Pell-Overpayment

Citation: 34 C.F.R § 690.62(a) states that the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

Noncompliance: The reviewers observed that Hairmasters disbursed Federal Pell Grant to Student #23 based upon eligibility for year round Pell Grant but did not take into account clock hours earned at Paul Mitchell The School Normal during the 2010-11 academic year. Student #23 received a Federal Pell Grant award of $2,775.00 on 7/11/11that the student may not be eligible for.

Required Action: In response to this program review report, Hairmasters must provide documentation that Student #23 was eligible for the Federal Pell Grant disbursement of $2,775.00 received on 7/11/11.

Instructions for the repayment of any identified liabilities will be provided in the Final Program Review Determination letter.

Finding No. 5: Crime Awareness Requirements Not Met – Omission of Required Statistical Disclosures and Policy Statements and Failure to Distribute the Annual Security Report in Accordance with Federal Regulations

Citation: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) and the Department of Education's regulations require that all institutions that receive Title IV, HEA funds must publish a materially-complete Annual Security Report (ASR). To be materially-complete, an ASR must contain all of the statistical and policy disclosures detailed in *34 C.F.R. § 668.46(b).*

34 C.F.R § 668.41(e)(1) states that an institution must distribute its ASR by October 1 of each year to all enrolled students and current employees. The ASR must also be provided to prospective students and employees and must be published per the requirements outlined in *34 C.F.R § 668.41(e)(4)*

34 C.F.R § 668.46(c)(1) and (c)(3) requires an institution to disclose statistics for the three most recent calendar years concerning the occurrence on campus, in or on noncampus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority: criminal homicide (murder and non-negligent manslaughter), forcible and non-forcible sex offenses, robbery, aggravated assaults, burglary, motor vehicle theft, and arson. Also required is a disclosure of statistics for certain hates crimes as well as arrest and disciplinary referral statistics for violations of certain laws pertaining to the following: illegal drugs, illegal usage of controlled substances, liquor, and weapons.

34 C.F.R § 668.46(b)(12) states that an institution must advise the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071(j), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

Noncompliance: Hairmasters violated multiple provisions of the *Clery Act*. Specifically, the institution failed to: