



January 6, 2015

Mr. Dean Johnston, CEO
Santa Barbara Business College
5777 Olivias Park Drive, Suite A
Ventura, CA 93003

Certified Mail
Return Receipt Requested
#: 70070710000106742820

RE: **Final Program Review Determination**

OPE ID: 02577900

PRCN: 201320928192

Dear Mr. Johnston:

The U.S. Department of Education's (Department's) San Francisco/Seattle School Participation Division issued a program review report on November 7, 2013 covering Santa Barbara Business College's (SBBC'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), for the 2011-2012 and 2012-2013 award years. The institution's original response was received on February 5, 2014 and the final response was received on December 2, 2014.

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

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

Appendix A to the program review report, Student Sample, contains personally identifiable information and will be emailed to SBBC 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.

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)].

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If you have any questions please call Tracy Simmonds at (415) 486-5688.

Sincerely,

(b)(6)

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

Enclosures: Final Program Review Determination (with attachments)

cc: Ms. Gabriela Luquin, Financial Aid Director
California Bureau of Private Postsecondary Education
Accrediting Council for Independent Colleges and Schools
Department of Defense (sent by e-mail to osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil)
Department of Veterans Affairs (sent by e-mail to INCOMING.VBAVACO@va.gov)
Consumer Financial Protection Bureau (sent by e-mail to CFPB_ENF_Students@cfpb.gov)

Prepared for
Santa Barbara Business College

OPE ID 02577900
PRCN 201320928192

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

**Final Program Review Determination
January 6, 2015**

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A. Institutional Information

Santa Barbara Business College
34275 Monterey Avenue
Rancho Mirage, CA 92270-6030

Type: Proprietary

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 231

% of Students Receiving Title IV: 98% (2012)

Title IV Participation per U.S. Department of Education Records:

	<u>2011-2012</u>	<u>2010-2011</u>
Federal Pell Grant Program (Pell)	\$3,598,044	\$6,185,160
Federal Direct Loan Program – Subsidized	\$3,970,828	\$4,801,080
Federal Direct Loan Program – Unsubsidized	\$2,704,908	\$4,274,304

Default Rate FFEL/DL:	2011	9.1%
	2010	8.3%
	2009	17.4%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Santa Barbara Business College (SBBC) from February 25, 2013 to March 1, 2013. The review was conducted by Tracy Simmonds and Anna C. Archila.

The focus of the review was to determine SBBC's compliance with the statutes and federal regulations pertaining to SBBC's administration of Title IV programs. The review consisted of an examination of SBBC's policies and procedures regarding institutional and student eligibility, individual student files, and academic files for the 2011-2012 and 2012-2013 award years.

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 award years. 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 social security numbers of the students whose files were examined during the program review. A Program Review Report was issued on November 7, 2013.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning SBBC'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 SBBC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

- Finding 2. Misreporting of 90/10
- Finding 3. Early Disbursement of Direct Loans
- Finding 4. Inadequate (Financial Aid) Credit Balance Authorization Form
- Finding 5. Noncompliance with Protection of Personally Identifiable Information

SBBC has taken the corrective actions necessary to resolve Findings ##2, 3, 4, and 5 of the Program Review Report (PRR). Therefore, these findings may be considered closed. Appendix B contains the institution's written response related to the resolved findings.

Findings with Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of SBBC's response to the finding, and the Department's final determination for that finding. A copy of the PRR issued on November 7, 2013 is attached as Appendix A.

Finding 1. Misrepresentation of Direct Loans

Citation Summary: 34 C.F.R. § 668.71 contains the following definitions:
Misrepresentation (in pertinent part): A misleading statement includes any statement that has the likelihood or tendency to deceive. This regulation further defines "substantial misrepresentation" as: Any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment.

As an example of substantial misrepresentation, 34 C.F.R. § 668.73 states the following:

Misrepresentation concerning the nature of an eligible institution's financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning—

- (a) Offers of scholarships to pay all or part of a course charge;*
- (b) Whether a particular charge is the customary charge at the institution for a course;*
- (c) The cost of the program and the institution's refund policy if the student does not complete the program;*
- (d) The availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans, regardless of whether the student is successful in completing the program and obtaining employment; or*
- (e) The student's right to reject any particular type of financial aid or other assistance, or whether the student must apply for a particular type of financial aid, such as financing offered by the institution.*

34 CFR § 668.16(h), Standards of Administrative Capability, requires that an institution provide adequate financial aid counseling to eligible students who apply for Title IV, HEA program assistance.

Noncompliance Summary: SBBC misrepresents the nature of its financial charges by failing to disclose all relevant Direct Loan Program information in its SBBC College Loan - Loan Comparison Chart. In this Chart, SBBC compares its institutional loan provisions with those of the Federal Direct Unsubsidized Stafford/Ford Loan Program. However, the comparison is unfairly presented in that not all Direct Loan provisions, particularly those which make the Direct Loan Program more attractive than some private loan programs, are set forth for comparison. For example, the Federal Direct Loan Program offers flexible repayment plans, such as income-based repayment plans, while the SBBC loan program does not. In addition, interest on a Federal Direct Loan

may be deductible on an income tax return, but may not be for an SBBC loan. Further, the Federal Direct Loan Program has forbearance and deferment provisions, loan forgiveness programs, and cancellation options if a borrower meets certain criteria, none of which are set forth for comparison in the Chart.

In addition, SBBC instituted improper barriers to its students' receipt of Direct Loans because it requires its students to follow additional procedures in order to apply for Direct Loans instead of SBBC Loans, including the filing of a "Living Expense Request Package."

Required Action Summary: *SBBC was required to revise the consumer information provided to students so that complete information on the Federal Direct Loan Programs is provided. SBBC was required to provide a copy of all of its revised consumer information in response to this finding. In addition, SBBC was required to review the regulatory requirements governing misrepresentation to ensure that it does not mislead or confuse students regarding financial options. Misrepresentation is a serious finding that may lead to the recommendation that a fine be levied against an institution for such misrepresentation.*

SBBC was advised that, effective immediately, the institution must stop requiring students to follow the additional procedures outlined in the Living Expense Request Package. Additionally, SBBC must inform students of Federal Direct Loan limits at the time of financial aid counseling.

SBBC's Response: As of July 1, 2012, SBBC no longer offers the SBBC Loan Program and students no longer receive the Loan Comparison Chart. Consumers continue to receive complete information about the Federal Direct Loan Programs, including the Federal Direct Unsubsidized Stafford Loan, from the Federal Direct Master Promissory Note, and the SBBC Catalog. In addition, SBBC has all borrowers, regardless of whether they are first-time borrowers or previous student loan borrowers, attend an Entrance Counseling session, complete an Entrance Counseling Test and receive the Federal Student Aid Entrance Counseling Guide for Direct Loan Borrowers booklet before funds are disbursed.

SBBC has revised its Living Expense Policies and Procedures and its "Living Expense Request Package." Students are now only required to provide a written explanation of his/her intended use of funds, including an explanation regarding his/her need for the funds. The College encourages the student to read and complete EdFund's Budgeting and Credit Workbooks, but completing the workbooks is no longer required. Moreover, students are also encouraged to consider other funding resources such as scholarships, unemployment benefits, and federal work study. However, these additional funding resources are also solely recommendations. Non-completion of these recommended items in no way impacts the student's ability to request and receive the living expense funds the student is entitled to.

A copy of the College's revised Living Expense Policies and Procedures was attached to SBBC's responses to the PRR. A copy of the College's revised "Living Expense Request Package" was also attached.

Final Determination: This finding cited SBBC for misrepresentation of direct loans. The Department carefully reviewed all information provided in response to the finding. In response, SBBC stated that it understands the Department's finding; however, SBBC's "only intention was to comply with the Department's guidance; ensuring that students were borrowing responsibly. More specifically, SBBC established the 'Living Expense Request Package' in an effort to reduce student over borrowing and to ensure that borrowers would have the means to repay their loans." The statements made in SBBC's response to the PRR and corrective actions did not fully address the requirements of ensuring that students are not misled or confused regarding their financial options or misinformed of the Federal Direct Loan limits at the time of financial aid counseling.

On November 24, 2014, SBBC was asked to provide the Department with policies that clearly state that private loans are only offered up to the cost of attendance after students have been offered the full amount of Federal Direct Loan(s) that they are eligible for. On December 2, 2014, SBBC submitted an adequate document to the Department entitled "SBBCollege Awarding Aid – Policy & Procedure" which states (in the fifth paragraph) "In addition, the full amount of Direct Loans that the student is eligible for will be offered before any private loans are offered to the student. At no time will a student be offered a private educational loan before all federal Direct Loan program eligibility is reviewed with the student and parent, if appropriate."

As stated previously, misrepresentation is a serious finding that may lead to the recommendation that a fine be levied against an institution for such misrepresentation. SBBC's staff must have a clear understanding of its Awarding Aid Policy & Procedure and ensure that it is followed. Future instances of non-compliance may result in SBBC being referred to the Administrative Actions and Appeals Service Group for possible adverse action.

D. Appendices

Appendix A: Program Review Report dated November 7, 2013

Appendix B: SBBC's Written Responses to the Program Review Report (including follow-up letters/documents)

Appendix A

Program Review Report dated November 7, 2013



November 7, 2013

Mr. Dean Johnston/President
Santa Barbara Business College
5300 California Avenue
Bakersfield, CA 93309-1664

Certified Mail
Return Receipt Requested
#: 70070710000106750481

RE: Program Review Report
OPE ID: 02577900
PRCN: 201320928192

Dear Mr. Johnston:

From February 25, 2013 through March 1, 2013, Tracy Simmonds and Anna C. Archila conducted a review of Santa Barbara Business College's (SBBC's) administration of the 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 findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by SBBC. The response should include a brief, written narrative for each finding that clearly states SBBC's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, SBBC must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by SBBC upon request. Copies of the program review report, the institution's

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

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response, 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 the FPRD is issued.

The institution's response should be sent directly to Tracy Simmonds of this office within 90 calendar days of receipt of this letter.

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, each 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. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

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).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Tracy Simmonds at (415) 486-5688 or Tracy.Simmonds@ed.gov.

Sincerely,

(b)(6)

Gayle E. Palumbo, Ed.D.
Compliance Manager

cc: Ms. Gabriella Luquin, Financial Aid Administrator

Enclosures:

Protection of Personally Identifiable Information
Program Review Report

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Prepared for
Santa Barbara Business College

OPE ID: 02577900
PRCN: 201320928192

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

Program Review Report

November 7, 2013

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A. Institutional Information

Santa Barbara Business College
34275 Monterey Avenue
Rancho Mirage, CA 92270-6030

Type: Proprietary

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	2009	17.4%

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B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Santa Barbara Business College (SBBC) from February 25, 2013 to March 1, 2013. The review was conducted by Tracy Simmonds and Anna C. Archila.

The focus of the review was to determine SBBC's compliance with the statutes and federal regulations pertaining to SBBC's administration of Title IV programs. The review consisted of an examination of SBBC's policies and procedures regarding institutional and student eligibility, individual student files, and academic files for the 2011-2012 and 2012-2013 award years.

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 award years. 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 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 SBBC'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 SBBC 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 (FPRD) 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 SBBC to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Misrepresentation of Direct Loans

Citation: 34 C.F.R. § 668.71 contains the following definitions: Misrepresentation (In pertinent part): A misleading statement includes any statement that has the likelihood or tendency to deceive. This regulation further defines "substantial misrepresentation" as: Any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment.

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As an example of substantial misrepresentation, 34 C.F.R. § 668.73 states the following:

Misrepresentation concerning the nature of an eligible institution's financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning—

- (a) Offers of scholarships to pay all or part of a course charge;
- (b) Whether a particular charge is the customary charge at the institution for a course;
- (c) The cost of the program and the institution's refund policy if the student does not complete the program;
- (d) The availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans, regardless of whether the student is successful in completing the program and obtaining employment; or
- (e) The student's right to reject any particular type of financial aid or other assistance, or whether the student must apply for a particular type of financial aid, such as financing offered by the institution.

34 CFR § 668.76(h), Standards of Administrative Capability, requires that an institution provide adequate financial aid counseling to eligible students who apply for Title IV, IIIA program assistance.

Noncompliance: SBBC misrepresents the nature of its financial charges by failing to disclose all relevant Direct Loan Program information in its SBBC College Loan - Loan Comparison Chart. In this Chart, SBBC compares its institutional loan provisions with those of the Federal Direct Unsubsidized Stafford/Unsubsidized Loan Program. However, the comparison is unfairly presented in that not all Direct Loan provisions, particularly those which make the Direct Loan Program more attractive than some private loan programs, are set forth for comparison. For example, the Federal Direct Loan Program offers flexible repayment plans, such as income-based repayment plans, while the SBBC loan program does not. In addition, interest on a Federal Direct Loan may be deductible on an income tax return, but may not be for an SBBC loan. Further, the Federal Direct Loan Program has forbearance and deferment provisions, loan forgiveness programs, and cancellation options if a borrower meets certain criteria, none of which are set forth for comparison in the Chart. The Chart is attached to this Program Review Report (PRR) as Appendix B.

In addition, SBBC instituted improper barriers to its students' receipt of Direct Loans because it requires its students to follow additional procedures in order to apply for Direct Loans instead of SBBC Loans, in the "Living Expense Request Package," even though they have not reached the Federal Direct Loan limits.

Required Action: SBBC must revise the consumer information provided to students so that complete information on the Federal Direct Loan Programs is provided. SBBC must provide a copy of all of its revised consumer information in response to this finding. In addition, SBBC must review the regulatory requirements governing misrepresentation to ensure that it does not mislead or confuse students regarding financial options. Misrepresentation is a serious finding that may lead to the recommendation that a fine be levied against an institution for such misrepresentation.

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Effective immediately SBBC must stop requiring students to follow the additional procedures outlined in the Living Expense Request Package. Additionally, SBBC must inform students of Federal Direct Loan limits at the time they receive financial aid counseling.

Finding 2. Misreporting of 90/10

Citation: A proprietary institution meets the requirement in 34 C.F.R. § 668.14(b)(16) that at least 10 percent of its revenue is derived from sources other than Title IV, HEA program funds by using the formula in appendix C of this subpart to calculate its revenue percentage for its latest complete fiscal year. Except for institutional loans made to students, the institution must use the cash basis of accounting in calculating its revenue percentage. The institution must consider as revenue only those funds it generates from—

- (i) Tuition, fees, and other institutional charges for students enrolled in eligible programs as defined in 34 C.F.R. § 668.8;
- (ii) Activities conducted by the institution that are necessary for the education and training of its students, provided those activities are
 - (A) Conducted on campus or at a facility under the institution's control;
 - (B) Performed under the supervision of a member of the institution's faculty; and
 - (C) Required to be performed by all students in a specific educational program at the institution; and
- (iii) Funds paid by a student, or on behalf of a student by a party other than the institution, for an education or training program that is not eligible under 34 C.F.R. § 668.8 if the program
 - (A) Is approved or licensed by the appropriate state agency;
 - (B) Is accredited by an accrediting agency recognized by the Secretary under 34 C.F.R. Part 602;
 - (C) Provides an industry-recognized credential or certification, or prepares students to take an examination for an industry-recognized credential or certification issued by an independent third party;
 - (D) Provides training needed for students to maintain state licensing requirements; or
 - (E) Provides training needed for students to meet additional licensing requirements for specialized training for practitioners that already meet the general licensing requirements in that field. 34 C.F.R. § 668.28.

Noncompliance: SBBC issued Title IV credit balance checks to students only to have the students return the checks back to the school. Those checks were then considered as 'cash payments' to the school and posted as such on the student account ledgers. This amount was also included in SBBC's 90/10 calculation and considered as cash payments to the school.

For example –

Student #31: The student received a *stipend* (credit balance check) on July 21, 2011, in the amount of \$871. However, on August 19, 2011, the student returned the same payment to the school in the amount of \$871, as noted on the student's ledger card.

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Student #32: The student received a *Stipend* on July 21, 2011, in the amount of \$3,136. However, on August 12, 2011, the student returned the entire amount to SBBC to be paid to the tuition account.

Student #33: The student received a *Stipend* on October 06, 2011, in the amount of \$1,192. However, on October 31, 2011, the student returned the entire amount to SBBC.

Student #34: The student received a *Stipend* on December 14, 2011, in the amount of \$1,220. However, on January 6, 2012, the student returned the entire amount to SBBC.

Student #35: The student received a *Stipend* on October 6, 2011, in the amount of \$2,668. However, on November 4, 2011, the student returned \$2,668 to SBBC.

The practice of issuing credit balance checks (stipends) to students, and then having these students return the payment to the school brings into question the authenticity of that payment. In fact, since these payments were NOT true credit balances on the student accounts, the payment cannot be treated as a cash payment. Incorrectly including these amounts as non-Title IV revenue misrepresents the 90/10 ratio, bringing into question SBBC's continued eligibility for participation in the Title IV, HEA programs.

Required Action: SBBC must reconstruct the 90/10 calculation for the two most recently completed fiscal years to determine the extent to which the incorrect treatment of the *Stipends* has impacted the 10% non-Title IV revenue amount.

For the fiscal year ended (FYE) June 30, 2012, SBBC reported a 90/10 ratio of 86.7%, and 86.2% for FYE June 30, 2011. SBBC must provide work papers that support the calculation. For specific instruction on how to properly report this information, please refer to the Code of Federal regulations. Please provide an Excel spreadsheet that shows each student in the left column and each of the entries in the Section One worksheet, as shown in 34 C.F.R. Appendix C to Sub Part B of Part 668 - 90/10 Revenue Calculation, across the top. Also, for each student please calculate the Title IV revenue adjustment and the cap on student payments. SBBC must ensure that *Stipends* are not treated as non-Title IV funds, if those amounts do not truly represent a credit balance. A credit balance results if the Title IV funds disbursed to a student account is more than the tuition/educational costs. The issuance of a *Stipend* check to a student, then having the student return the funds to the school, does not constitute a cash payment.

Independent Public Accountant's (IPA) Attestation: SBBC must engage an IPA to test the accuracy of the 90/10 calculation. The IPA's procedures must include a random statistical sampling of the back-up documentation of revenue used for the 90/10 calculation using a 95% confidence level and no more than a 5% error rate. The IPA must ensure that the *Stipends* are not treated as cash (non-Title IV) in the calculation of 90/10.

Once SBBC's response is received and reviewed, our office will provide further information, if necessary, as to any required additional action related to the 90/10 calculation.

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Finding 3. Early Disbursement of Direct Loans

Citation: Regulations state that if a student is enrolled in the first year of an undergraduate program of study and has not previously received a Federal Stafford, Federal Supplemental Loans for Students, Direct Subsidized, or Direct Unsubsidized Loan, a school may not disburse the proceeds of a Direct Subsidized or Direct Unsubsidized Loan until 30 days after the first day of the student's program of study. 34 C.F.R. § 685.303(b)(4)(i).

Noncompliance: SBBC did not comply with the 30 day delay requirement for first time loan borrowers. For seven of the 30 students reviewed, SBBC disbursed loan funds prior to the 30 day delay period.

For example -

Student #14 was a first time borrower, who started attending SBBC on March 14, 2011. On April 12, 2011, this student was disbursed an Unsubsidized Federal Direct Loan (DL), two days early.

Student #15 was a first time borrower, who started attending SBBC on August 2, 2010. On August 31, 2010, this student was disbursed a DL and a Federal Direct Unsubsidized Loan (UNSUB), two days early.

The same was true for Students #7, #17, #19, #27, and #29. SBBC disbursed loan funds to these first time loan borrowers one or two days early.

Required Action: As evidence by the students cited above, SBBC did not comply with the 30 day delayed disbursement requirement for first time borrowers. In response to this Program Review Report (PRR), SBBC must provide a description of the procedures it has subsequently implemented to ensure compliance with this regulatory requirement. Further instructions, if necessary, will be provided in the Final Program Review Determination (FPRD) Letter.

Finding 4. Inadequate (Financial Aid) Credit Balance Authorization Form

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

In order to retain Title IV funds on behalf of a student, institutions must obtain written authorization from a student or parent, as applicable. The institution may use the student's or parent's Title IV, HEA program funds to pay for allowable charges that are included in that authorization. In obtaining the student's or parent's authorization to retain credit balances, an

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institution may not coerce the student or the parent to provide that authorization; must allow the student or parent to cancel or modify that authorization at any time; and must clearly explain how it will carry out that activity.

A student or parent may authorize an institution to hold credit balances for the period during which the student is enrolled at the institution. If a student or parent modifies an authorization, the modification takes effect on the date the institution receives the modification notice. If a student or parent cancels an authorization to use Title IV, HEA program funds to pay for authorized charges under 34 C.F.R. § 668.164(d)(2), the institution may use Title IV, HEA program funds to pay only those authorized charges incurred by the student before the institution received the notice. If a student or parent cancels an authorization to hold Title IV, HEA program funds, the institution must pay those funds directly to the student or parent as soon as possible but no later than 14 days after the institution receives that notice.

In addition, if an institution holds excess student funds, the institution must:

Identify the amount of funds the institution holds for each student or parent in a subsidiary ledger account designed for that purpose;

Maintain, at all times, cash in its bank account in an amount at least equal to the amount of funds the institution holds for the student; and

Notwithstanding any authorization obtained by the institution under this paragraph, pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.164(e) and 34 C.F.R. § 668.165(b)

Noncompliance: SBBC's *Financial Aid Authorizations* form does not give students an option to have their credit balance returned to them. The form does not allow students to indicate that they want the option to receive their credit balances within the allowable period of time, or allow the institution to maintain the funds on the account.

Required Action: SBBC must review the regulatory requirements governing the retention of credit balances. In response, SBBC must review its policies and procedures to ensure that Title IV credit balances are paid to a student within the required timeframes or implement policies and procedures for retention of student/parent credit balances, in accordance with applicable regulations. Students need to be given an option to have their credit balance returned to them or for the institution to retain the credit balance. In its response to this finding, SBBC must provide a copy of its revised *Financial Aid Authorization* form. Additional instructions, if necessary, will be provided in the FPRD.

Finding 5. Noncompliance with Protection of Personally Identifiable Information

Citation: Institutions are required to protect the personally identifiable information of students in accordance with the Family Educational Rights and Privacy Act of 1974 and implementing regulations, 34 C.F.R. Part 99.

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Additionally, the Secretary considers any breach to the security of student records and information as a potential lack of administrative capability with respect to safeguarding and protecting the confidentiality of customer information. 34 C.F.R. § 668.16(c).

Noncompliance: SBBC failed to properly protect personally identifying information by not storing its student files in a secured space.

Corrective Action Taken: Prior to the conclusion of the site visit, SBBC replaced the filing cabinet in which the financial aid student records were maintained, ensuring that the files were kept locked and only accessible to school personnel. Therefore, SBBC may consider this finding closed with no further action required.

Appendix A: Student Sample

Confidential – This document contains Personally Identifiable Information and has been sent to SBBC electronically in an encrypted format.

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Appendix B:

SBBC College Loan - Loan Comparison Chart

SBBCollege Loan - Loan Comparison Chart
 SBB College Institutional Loan

Independent Student or Dependent Student Without Parent Consent or PLUS		Direct Unsubsidized Loan		SBB College Institutional Loan	
Interest Rate	6.88% Fixed	6.88% Fixed	Not available	6.88% Fixed	6.88% Fixed
Direct Payment Interest Reduction	Interest begins accruing after the loan is disbursed to the school.	Interest begins accruing after the loan is disbursed to the school.	Not available	15% reduction with 3% of 60% down payment	15% reduction with 3% of 60% down payment
Interest Accrual	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.	Based on 3% interest rate, \$1,135.34 without 60% option, \$1,135.34 with 60% option	Based on 3% interest rate, \$1,135.34 without 60% option, \$1,135.34 with 60% option
Interest Payment Requirement	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.	Students are not required to pay the interest while in school, but you choose not to pay the interest is capitalized when the loan enters repayment, or other deferral.
Graduate Interest Rate (GIR)	N/A	N/A	N/A	N/A	Based on 5% interest rate, \$675 approximately - Interest credited back to student's account
Maximum Loan Limits	ATY \$4,172; 60.00% ATY	Up to an amount to cover tuition and fees only			
Co-payment Fee Charge	4.5% with 3% rebate = .3%	5%			
Maximum Repayment Term	10 years				
Minimum Monthly Payment	\$68.00	\$68.00	\$68.00	\$68.00	\$68.00
Grace Period	no payment required for 6 months following last day of attendance	no payment required for 6 months following last day of attendance	no payment required for 6 months following last day of attendance	no payment required for 6 months following last day of attendance	Available - no payment required for 6 months following last day of attendance if using - not eligible for 60% option
Payment	No penalty for Prepayment with rebate for GIR	No penalty for Prepayment with rebate for GIR	No penalty for Prepayment with rebate for GIR	No penalty for Prepayment with rebate for GIR	No penalty for Prepayment with rebate for GIR
Monthly Payments	One payment is calculated and disbursed to lender	One payment is calculated and disbursed to lender	One payment is calculated and disbursed to lender	One payment is calculated and disbursed to lender	One payment is calculated and disbursed to lender

