

Geneva Leon:

All right. That's our names, Geneva Leon, Gail McLarnon, and Joe Smith. We're the three folks up here, the Three Stooges. I'll be Curly. All right, here we go. What we're gonna talk, we already said this, **we're gonna do** program compliance issues, and then, also, the new regulations that were just published October 29, 2010. How many have actually seen those new regulations? They're just a wonderful thing to read, aren't they? All right. I'm gonna start it off a little bit and talk a little bit about eligibility. If you have not been down to the PC lab, which probably most of you have not, since it just opened today, the escalator is just outside this door and leads you right into the PC lab. Inside this lab, we have representatives from every system that the department has that a school would use, so we also have an Ask the Fed – that's us – booth that has a link to a computer where it can pull up any kind of eligibility information that you want to know about your school. The information that we have about your school, your representatives, what you're approved for, what the status is, where it's at in the process. You can go down there and they'll pull it up and tell you exactly what's going on with your application with us.

With that, the eligibility is an electronic application that comes to us, and that's where you're gonna feed us the information about your school. We have a bazillion questions on that application. We have it electronically in the hopes that it will help proceed through. The good news about the electronic application, if you've only done it once, the second time you pull it up we'll pre-populate with what we already know about you, so you only have to change the things that have changed since the last time you've submitted an application to us. How many have actually done an electronic application? Oh, interesting, so this is old news for you. Hopefully, it's working well. Again, feedback. If there are things, improvements to that system, we want to hear from you. We'll do what we can. We are poor _____ the federal government, but I'm good at begging for money to get system changes, so I'll do what I can to beg and get changes that are absolutely necessary to help us do our jobs better.

Okay, what we do with eligibility. If you are a brand new school, have never participate with us in the past, you would come in as an initial eligibility application, and, again, you would still use that electronic application. If you have been with us and you're currently eligible, you're gonna need to be what we call re-certified every four to six years, or possibly every one to three years, depending on the status you are with us. Once you have submitted your application to us, and you haven't heard from us, and, in some instances, I'm sure that's been a lot because we were

much smaller than what we are now, we're really working to get rid of the backlog so that it'll be much more instantaneous, and that our response time will improve, at least to 90 days to be able to get this done. So, you will do what we call a re-certification, and it's a requirement. You have to submit those re-certification applications into us. We will typically send you a reminder that this needs to be done. There's a requirement it has to be done 90 days before your expiration of your Program Participation Agreement.

And a little clue, if you look at what we call the PPA, the Program Participation Agreement, there's actually a date on there that says when you have to reapply, and then there's also a date on there that says expiration date. So, when you go back to your offices, take a look at that PPA, take a look at when you have to submit that application. It's really important that you timely submit. If you don't timely submit that application, we immediately have to put you on what we call a provisional certification. That means there was a little hiccup in something that was done. There are many different issues or many different things that happen that require us to put you on a provisional certification. Provisional means we can only give you three years. That's the maximum we can give you, so you want to try to avoid that at all costs.

The mergers and the change of ownerships, we don't see many of these, but if your organizational unit changes, the ownership changes, if you're merging some schools together and becoming one school, you need to be able to tell us about that, and you have to tell us about that immediately. Typically, you have ten days is the requirement to get this information into us about any kind of update information. A reinstatement, if you were with us in the past, you're not eligible currently, you would come in as a reinstated application, and all of these different types of issues are on the electronic application. You have to tell us why you're applying. Many times, folks will say, "I'm just doing an update," but really there's a whole lot of other things going on, and it's kind of like if it's your very first time, you have to get what we call an **OP ID** number. So, usually, that's the only thing you can do when you're in initial. These other things, though, you can select different things and select the wrong thing.

If you're just updating your information, just like David told us yesterday, on NSLDS, make sure we know who at the institution, who is gonna receive information, because we're gonna send information to the people that you tell us. Frequently, when **Bill Taggart's** office is mailing information to institutions, he's going

into what we call our **PEPS** system and pulling all of the identification information from that system and sending that information to you. So, we get a lot of bounce-backs on emails, and when we get a bounce-back, that means something happened where it wasn't updated. A voluntary withdrawal. If you just decide, after you're here today, this stuff is too much, you're getting out of here, you still have to send us an electronic application and tell us that. You can voluntarily withdraw from the programs at any time. We hope that you don't. We hope that we can resolve a lot of the issues that we're currently facing, but that's how you do it, and down at the bottom is our URL on how to do it.

The documents you'll be seeing, the PPA we just talked about. You actually have to sign two of those, and I apologize for that, but that gets you an official copy back, and it gets us a copy to keep. So, as soon as you send those two copies in for us to sign, we're gonna countersign them on behalf of the secretary and mail you one copy back, and keep one for ourselves. Right now, you should have all kinds of documents going on, because you're gonna have your old PPA, and you're gonna have what we call this DL addendum. The old PPA only talks about the FFEL program – the Federal Family Education Loan program – so that couldn't stay. We had to give you something so that you could also participate in the Direct Loan program, which is why we had to do all of those addendums. So, right now, you should have a PPA and a Direct Loan addendum, keeping it on file for your auditors, and, in addition to that, you'll have the approval letters, your ECARs, as we call them, your eligibility and certification approval report. That's the report that shows you all the information in our PEPS system about your school. Those are the things that typically the auditor **are** gonna ask you to provide to him so that he can see that you are eligible.

One of the confusing things, I think, a lot of times with the auditors is when they look at this and they say, "This says your PPA expired. What's going on here?" You have to show them that you have submitted your application into us for approval and we just haven't responded back. If, for some reason, that gets cited in your audit, when we resolve that audit we say that, "We have it, it's not a problem." It's not a problem with that kind of a finding. But if you're auditor needs to converse with us, you can always send them to us and we can give them a response back as to what the current status is, and that you are still eligible, you submitted your application, it's currently under review, and as soon as we have that application in, even though your PPA is expired, you continue on a month-to-month basis, so you are still eligible.

All right. Participating institutions. Your participation ends in several different ways. If you do not submit your application, immediately, at the end of your date on your PPA, your participation ends and we consider that a loss of eligibility. If you withdraw, you lose your eligibility. If you change ownership, just like we talked before, change the institutional type, we have some institutions that are actually changing from – I don't see it much from public to non-profit, but there have been I think some where maybe non-profit they've gone public, not publicly traded, but gone under their public system within their country. In the states, we see some of our for-profits going to not-for-profit. Outside the states, that would be very difficult for you to do, go from a private non-profit to a for-profit, because we have so many additional for-profit rules for the schools outside the U.S. So, it doesn't happen very much at all, but it's there, and it is a way that you can lose your participation if that changes, so that's why you have to let us know about those kind of things.

When you're on a provisional Program Participation Agreement, we can revoke that PPA for any type of failure to meet our requirements. If you're on a full Program Participation Agreement, we call it termination. So, revocation or termination would be how the department would end your participation. A revocation has certain requirements for appealing, we have an informal appeal process, and then the termination has a more formal appeal process, where, generally, it goes through an administrative law judge for a final decision. There are some instances and some issues right now with the current regulations that we're actually gonna be looking at that. We may need to send notices to you because there are certain requirements that are gonna be effective in July 2010 that schools need to meet. We're gonna do everything that we can do to help avoid that for you, but we still have to meet the letter of the law that's been laid out for us.

So, I think that's it. No, one more. This, again, kind of repeats a lot of the things I already talked about. Anytime you have changes, you have to notify us about that, and you really need to hear from us first. The good news is in the provisions we have this one rule that if you do lose eligibility, your current students, who have already received loans in the past, can continue receiving those loans for at least the current year, and an additional one. And our hope is always that within that period of time we're able to fix whatever the issue was, because anytime you lose eligibility, to come back in as a reinstatement, you have to fix what was wrong previously before we can approve you for our current

eligibility. So, a lot of that is a little difficult, but we do what we can to try to help you. Sometimes, there are certain laws in your country, certain laws in our country where we cannot meet them. We do try to reach out sometimes to the state department, to your embassies to see if there are fixes, or sometimes some of your colleagues, they've been there before and they've got fixes that they've helped you with. Certainly, **Shawn** was very helpful when we were going to the transition to the DL with some of the information we had on the award letter, and the visa issue that we were experiencing in the U.K. That was very helpful, so thank you, but we do what we can. So, I'm gonna turn it over to Joe, who will go through audit and financial issues for compliance.

Joe Smith:

What I'm gonna be reviewing real quickly here is sort of what the current audit requirements are, and some of our more recurring common audit findings, and just a brief reminder about some program compliance no-no's. Currently, audits that are required to be submitted to the department that are due on or before July 1, 2011, have the following current requirements: You have to submit audit financial statements and individual performance compliance audits, and these audits are based on the amount of funding that your institution certifies. The audits are conducted pursuant to the Foreign School Audit Guide, which is published by the Department of Education's Office of Inspector General, and the OIG is an independent branch of the Department of Education who is a watchdog agency within our department and holds all of our agencies internally accountable, and they also do audits and reviews and criminal investigations of partners who receive Department of Education funds. And they also are responsible for working with independent public auditors in developing standards and help the auditors interpret the information that's presented in the guide. The Foreign School Audit Guide contains information pertaining to financial statement reporting requirements, and also compliance audit requirements, and there is a link to the audit guide on the OIG website.

In order for a foreign school to have its audit completed, it needs to request a student listing. The student listing contains a list of all students who had loans certified during the fiscal year. It's not loans that were made to students who attended during your academic year, so sometimes there are questions about, "Why doesn't a student appear on my list for the audit cycle?" and it could be because of the date that the loan was reported as certified to the department. It also includes the total amount of the loan by loan type that was certified, so it'll show if the student received a PLUS loan, a subsidized loan or unsubsidized, and then it'll give a total sum of the amount of loans that were certified for an

institution, and that's helpful in determining what kind of audit needs to be conducted.

For institutions that receive less than \$500,000.00, the institution's financial statements should be presented in accordance with home country GAAP – home country generally accepted auditing standards and accounting principles – and, recently, the Department of Education exempted low-volume institutions from having to submit these financial statements to the department due to a statutory change, which we will discuss _____. But the letter, which waives this requirement for financial statements only, is Dear Colleague Letter GEN-09-06, and this is applicable to foreign private non-profit and foreign public institutions. For institutions that receive more than \$500,000.00, there's an expectation under the current rules that the financial statements be prepared pursuant to U.S. generally accepted accounting principles, and also with U.S. government auditing standards. These will be revised for institutions that have to submit an audit to the department on or after July 1, 2011, so I'm not gonna dwell on this.

Compliance audits also look to this \$500,000.00 threshold. If an institution certifies less than \$500,000.00 in federal funds during its fiscal year, it has an option to submit an alternative compliance audit, or a standard compliance audit, and basically the difference is the level of examination that the auditor performs while conducting their audit review. With the alternative audit, the auditor is simply gonna carry out procedures that are described in the audit guide and report on the findings of the results of those tests, and in the standard audit, the auditor will also examine and make an opinion about your institution's management assertions of compliance with federal student aid program requirements. Both the audit for the compliance audits and the audited financial statements are due annually to the department. For the high-volume, we just described what's involved there. The compliance audits also need to be prepared pursuant to U.S. generally accepted government auditing standards, unless your institution is able to explain the difference. Actually, your auditor would need to be able to explain the difference to the department, and there's a Dear Colleague Letter which describes this. It's GEN-03-10.

Audit and financial statements must be submitted to the Department of Education within six months of the fiscal year end date covered by the audit period, and I've given the address where you submit that. It's provided also in the audit guide. Your institution is responsible for having this audit submitted. You can

instruct your auditor to submit it to us directly, but we would look to you if your auditor fails to submit the audit report pursuant to your instruction. And so what we have here is a summary of what the current requirements are, just as _____. Frequently, what we see in the compliance audits are errors in administration of federal aid programs. The audit guide requires the auditor to review the **SSCR** filings, the enrollment status reporting requirements. Auditors will frequently find that documentation that is relevant to establishing a student's eligibility has been missing from files. They may report that the institution's administrator doesn't appear to have the capability to operate the programs correctly.

Sometimes, loans are improperly certified, perhaps at levels that are above the student's eligibility. There may be records of attendance that are not present in the file. We also see deficiencies with respect to documenting entrance and exit counseling requirements, and hopefully you're all paying attention to the electronic methods by which students can complete exit and entrance counseling on studentloans.gov and NSLDS. You also need to be checking enrollment status before you're making disbursements, and we also see, sometimes, that the cost of attendance is not calculated correctly or R2T4 is not accurately calculated. We've tried to build the COD Direct Loan origination tool in a way that helps to solve for some of these problems. So, if you're using the Web tool, it will allow you to build a cost of attendance and remind you about what the elements are that should be included in the cost of attendance. You'll build a profile that will identify a student's grade level so the system will calculate what the appropriate loan amounts are. So, if you use the tool, a lot of these audit findings should melt away if you have questions about how to do the programs.

Other issues that are related to audits, please get your audits in on time. Geneva mentioned that we have two options for certification of institutions: Provisional certification and full certification. One of the main reasons for a provisional certification is the late submission of audits or financial statements to the Department of Education, so it's really critical that you get those audits in to us within six months of the end date of your fiscal year. Also, I'd just like to touch on foreign institutions are not able to use telecommunications, in whole or in part, to provide education to students who are receiving federal student aid. I know this is something that the education community is embracing worldwide. Federal student aid programs don't allow American students to be on programs that offer the instruction in whole or in part through

telecommunications. Also, students should not be studying back in the U.S., either through a location that's owned by your institution or through a partnership agreement through a study abroad or other kind of agreement unless it's part of a clinical training program that's specifically _____ in the statute. Finally, there are special eligibility criteria that pertain to medical programs, veterinary medical programs, and nursing programs, which we're gonna discuss here right now, with Gail. So, I'll turn it over to Gail. Thanks.

Gail McLarnon:

Thanks, Joe, and good morning, everybody. It's a real pleasure to meet most of you. I had a wonderful time last night at the reception, and I know I speak for both Geneva and Joe in saying how wonderful it is to have such a great turnout and see so many foreign school representatives here today. The rest of this presentation is going to deal with the final regulations, that Geneva mentioned earlier in the program, that were published in October. We're going to talk about the legislative and regulatory background. I'm from the Office of Post-Secondary Education. I'm not from the Office of Federal Student Aid. It's our job in OPE, as we call it, to interpret the legislation that's handed down to us by the United States Congress, and then to turn that legislation into regulations. So, that is the focus of what we do in the Office of Post-Secondary Education, and it will be the focus of the rest of this presentation.

So, we'll talk about the legislative and regulatory background, general applicability provisions, eligibility standards. Joe will come back and talk to us again about compliance audits and financial statements, new requirements, and then I'll come back – we're a tag team here – and do foreign medical nursing and veterinary school requirements. We mentioned earlier in the program, also, that these slides can be very dense. There's a lot of material on these slides. We may have to summarize and leave these slides with you, rather than go into some of these minute details; leave these slides with you as a resource material. We may be pressed for time today given the amount of material we have to cover. I do want to mention that we have our open forum tonight. If there are questions that unanswered, you'll have more opportunity to meet with members of the department and get those questions answered, so don't forget about our open forum tonight.

Let's start with the legislative background on the foreign school regulations. One of the motivators for us to regulate was the Higher Education Opportunity Act. This was the HEOA, as we call it – the HEOA, in department speak – and this is a piece of legislation that reauthorized the Higher Education Act, as well as

amending the Higher Education Act to make changes to the eligibility requirements for foreign institutions to participate in our federal student aid programs. It was enacted back in August of 2008. On this slide, you can see some of the changes made by the HEOA. They include changes to foreign nursing school eligibility requirements, elimination of campus crime reporting, the financial and compliance audit requirements, and changes to foreign graduate medical school requirements.

Another very important piece of legislation, for you and for the department, as well, was the Health Care and Education Reconciliation Act of 2010. This was the Obama administration's signature reform legislation for both health care and the loan programs. As you can see from the first bullet, this was a sought-after budget policy of the Obama administration, the elimination of the Federal Family Education Loan program. That was huge. It saved billions of dollars for the federal government, requiring then all new loans, and that includes loans made to U.S. students at foreign institutions to be made under the William D. Ford Federal Direct Loan program, or the Direct Loan program. You are getting an initiation during this conference on what it's going to be like to administer loans under the Direct Loan program. So, as you can see, that was enacted just a short time ago, in March of 2010.

In terms of the regulatory background, as I stated earlier, it's the OPE's job to take the legislation or laws that are passed by Congress and turn them into legislation that then can be, in turn, administered by the participants in our programs. We have to follow our own protocol, if you will, around implementing and developing regulations. Anytime there's a change to Title IV of the Higher Education Act, the Department of Education is required to do what we call negotiated rulemaking, and that means we gather members of the community together around a table and sit down and try to develop the best rules that we can, and our goal in this process is to reach consensus, and by that I mean all of the parties at the table have no objections to the rules that we propose.

As you can see here, we had three sessions of negotiated rulemaking after publishing our Notice of Intent to Regulate. We made a concerted effort to get appropriate foreign school representation around the table for this negotiation. It was special. Generally, we deal with domestic institutions. This was special in that we were dealing with rules that would very much impact the way you do business, so we made an effort to get folks around the table who would represent your interests. This included representatives from Canadian institutions, the Canadian Financial

Aid Administrators Association. We had representation from the International Education Council, the Australian Embassy, the New Zealand Embassy; as many people as we could find to help us negotiate these regulations. We did reach consensus on the regulations. That meant we had to publish a Notice of Proposed Rulemaking that was completely in tune with what we agreed to at the table, that the department could make no changes, in other words, to those regulations.

Geneva asked you earlier, I think Geneva or Joe, who has read the regulations. It can be an eye-glazing experience, depending on your perspective. That's what I do for a living, so I'm always fascinated by that sort of thing. Not everybody is, and we understand that. However, this is a resource slide for you. It gives you access to both the Notice of Proposed Rulemaking and the final rule, and for any conversation I have with domestic schools on any subject, I would say the same thing to them as I'm going to say to you. Please take the time to read the regulations. Not only will you get a very clear picture of what you're required to do, the preamble in these rules goes a long way towards explaining the department's rationale for the things we did, and especially in the proposed rule, when we discussed the discussions we had around the negotiating table, it really gives you a flavor for how we landed where we did. So, again, a good resource slide for you. I urge you strongly to read the regulations.

All that being said, let's start to take a look at the actual final rules themselves. We're gonna start out with what we call general applicability provisions. The Higher Education Act directs the Secretary of Education to establish criteria by regulation for the determination that foreign institutions are comparable to domestic institutions of higher education, as that term is defined in the Higher Education Act. The Higher Education Act also requires that a foreign institution must be a non-profit institution in order to participate in the Title IV program, unless they are a medical, veterinary or nursing school. So, hence the need for requirements demonstrating the non-profit status of a foreign institution. So, the definition of a non-profit foreign institution is an institution that's owned and operated only by one or more non-profit corporations or associations, and is designated a non-profit educational institution by a tax authority of its country that is recognized by the Secretary. When I say the secretary, I'm talking about the Secretary of Education here in the United States.

Or, if the Secretary does not recognize the home country, tax authority demonstrates to the satisfaction of the Secretary that it is

a non-profit educational institution, and this is very similar to the non-profit definition we have for U.S. institutions. Originally, the department proposed, in terms of certification procedures, to certify all foreign institutions every three years, but we were persuaded, and this, again, goes back to our negotiations, we were persuaded by the negotiators that this would be too burdensome, both for foreign institutions and for the department, so we revised our proposal by limiting the three-year certification period to private for-profit medical, veterinary and nursing schools, because these are the schools that continue to receive by far the largest amount of Title IV HEA program funding. So, a foreign institution's certification to participate expires six years after the certification date for a public or a private non-profit institution, and three years or less after the certification date for a private for-profit institution.

Part of determining that foreign institutions are comparable to institutions of higher education in the United States is holding foreign institutions to the same regulatory requirements as domestic institutions must meet, and this is clearly stated in Section 600.51 of the Regulations on Foreign Schools. So, a foreign institution must comply with all requirements for eligible and participating institutions, except when they are made inapplicable by the Higher Education Act, so there is a statutory exemption, in other words, or when the Secretary identifies specific provisions as inapplicable to a foreign institution in a Federal Register Notice. Previous to the promulgation of these new rules, the definition of foreign institution in Section 600.52 was simply an institution that was not located in a state. That was it. The new rules, as part of our goal in the new rule, was to really beef up that definition, so we include a detailed definition now to ensure that a foreign institution is comparable to institutions in the United States, in accordance with the statutory requirements, before the institution is allowed to apply for Title IV participation.

Again, you're gonna hear these words throughout the presentation, comparable to an institution in the United States. Besides the statutory changes we implement in these regs, that's what's driving a lot of these provisions, is to provide comparability between a foreign school and a domestic school. The new definition addresses some of our concerns in the department, one of those being that a foreign institution that is not comparable to a domestic institution, especially in terms of the quality of its programs, may misuse federal funds to the detriment of the students who have to borrow heavily in order to attend a foreign institution. I'm not pointing fingers at anybody in this room, but it is a concern. One

of our concerns is fiscal responsibility, taking care of the federal FSC, as we call it. So, that's another thing that's driving our regulations here. The new definition also prevents a domestic institution – there's a domestic side to this, as well – from claiming to be a foreign institution by virtue of the fact that it has established an offshore location, thereby avoiding some of the requirements applied to domestic institutions.

So, let's start to take a look at this definition of foreign institution. We still include it's not located in a state, except for clinical training at graduate medical, veterinary, and nursing schools, has no U.S. locations, and has no written arrangements within the meaning of 668.5, with institutions in the U.S. for students enrolled at foreign institutions to take courses from institutions in the U.S., and I think Joe briefly alluded to this in his statements. Why this no written arrangements? Why don't we want U.S. students enrolled at foreign institutions to take courses at U.S. schools? Well, basically, we want U.S. students who are in U.S. institutions to be available for the full range of federal student aid, and that goes way beyond Direct Loans. That includes grants, that includes work study; there's a lot of other programs authorized under Title IV of the Higher Education Act that American students attending American institutions are eligible for.

Students who are attending foreign institutions are eligible only for Direct Loans. We'll talk more about locations, or the fact that students can't attend schools in the U.S. if they're attending a foreign school, but that's the driver behind that requirement. I would note that a foreign school can enter into a consortium agreement for study abroad or student exchange with another eligible institution that's offering eligible programs, as long as it's outside the United States. We carved out a narrow exception on the prohibition on U.S. students attending foreign institutions on their ability to do coursework in the United States by allowing independent research done by an individual student in the U.S. for not more than one academic year, but only if it's conducted during the dissertation phase of a doctoral program under the guidance of faculty, and only if the research can be performed in a facility in the United States and nowhere else. This is a very narrow exception. We understand that. But, again, harking back to our last slide, the reason that we don't want U.S. students at U.S. schools is because their eligibility for aid is limited.

Continuing with the definition of foreign institution. For the purposes of students who receive Title IV aid, and I meant to mention that before, all of these requirements are for the purposes

of students who receive Title IV aid, so only in that respect are you required to comply with these regulations. These are for students who receive Title IV aid. The definition of an foreign institution is an institution that is legally authorized by the Education Ministry, council or equivalent agency of the country in which the institution is located to provide an educational program beyond the secondary level, and it must be an institution that awards degrees, certificates, or other recognized educational credentials that are officially recognized by the country in which the institution is located. We had some conversations last night about possible heartburn being created by these provisions. But, again, both Joe and I have answered these questions. As the regs are currently written, these are the requirements that you will be subject to.

Finally, in order to further distinguish between a foreign and domestic institution, there is a provision in the regulations that prohibits foreign locations of an educational enterprise from being considered additional locations of a domestic location of the educational enterprise if that enterprise has at least twice as many students enrolled in foreign locations as those enrolled in domestic locations. That's a lot to wrap your mind around. I apologize. It's one of those very dense and wordy slides, but it is in here to prevent a predominantly foreign educational enterprise from establishing a minor presence within the United States for the purpose of circumventing the statutory provision limiting foreign institutions' participation in the Direct Loan program. Okay. For the purposes of the prior paragraph, I just want to mention an educational enterprise. That might not be a term you're familiar with, and we did go ahead and define this term in the regulations. This is an entity that consists of two or more locations offering all or part of an educational program that are directly or indirectly under common ownership.

Okay. These slides, going forward, are the eligibility requirements for Direct Loan program participation. They are found in Section 600.54. Again, I want to emphasize the concept of comparability between foreign and domestic schools in terms of the eligibility to participate in the Direct Loan program, so that is the driver here in terms of the rules that we see in place now. So, a foreign institution is comparable to a domestic institution and eligible to participate, if except for freestanding foreign grad medical, vets and nursing schools, the foreign institution is a public or private non-profit institution. For a public or private non-profit institution, meets the definition of institution of higher education in Section 600.4, with certain exceptions.

For a for-profit foreign medical, vet or nursing school, the school must meet the definition of a proprietary institution of higher education in Section 600.5, again, with certain exceptions. These exceptions in 600.4 and .5 are, for the most part, U.S. state and accreditation-related requirements that don't, by definition, apply to foreign schools because you are not located in a state, and because you are not accredited by an agency recognized by the Secretary. You are eligible for Direct Loan participation if you admit as regular students only persons who have completed secondary school or have a recognized equivalent of a secondary school credential. You may not enter into written agreements whereby an ineligible institution provides any part of one or more of the eligible foreign institution's programs.

For this purpose, written arrangements do not include affiliation agreements for the provision of clinical training, and we'll talk a lot more about clinical training at the end of the program, at foreign medical, veterinary and nursing schools. Additional location of a foreign institution must separately meet the definition of a foreign institution if it is located outside the country in which the main campus is located, if it is located within the same country as the main campus, but is not covered by the legal authorization of the main campus. The exceptions here are related, again, to clinical training offered by foreign grad medical, nursing and veterinary schools, and also to that independent research component that we carved out as an exception, and I talked about that a little earlier.

More emphasis on the comparability of foreign and domestic schools. Foreign institutions have to provide an educational program for which it is legally authorized to award degrees that are the equivalent of the U.S. associate, baccalaureate, graduate or professional degree, or that are at least a two-academic year program acceptable for full credit toward the equivalent of baccalaureate degree in the U.S., or that are equivalent to at least a one-year academic training program in the U.S. that leads to a certificate degree or other recognized educational credential and prepares students for gainful employment in a recognized occupation within the meaning of the gainful employment provisions. Gainful employment provisions is an area that we are currently working on in the department. We've got a big package that we are aiming to publish at the end of January, so that is still a work in progress in the department's perspective.

I do want to point out that, under this provision, there is a new requirement that a foreign institution has to demonstrate to the

satisfaction of the Secretary that the amount of academic work required by the program it seeks to qualify as eligible meets the definition of academic year in our regulations, and this is because foreign institutions often use measures that are different than the conventional measures used in the United States. And by conventional measures used in the U.S., I'm referring to semesters, trimesters, quarter, credits and clock hour measures, so that's something to keep in mind. For for-profit foreign medical, veterinary or nursing schools, no portion of eligible medical or veterinary program may be offered at the U.S. undergraduate level, and Title IV HEA program eligibility doesn't extend to any joint degree program, unless allowed under statute. And you will note that under these new regulations, nursing programs are required to offer a joint degree, so that is one of the exceptions that is allowed under the statute.

Proof that a foreign institution is legally authorized to offer educational programs beyond the secondary level may be provided to the Secretary in a couple of different ways: Through your appropriate educational ministry, or the equivalent, for all your schools, all the schools in the country, all eligible schools in a jurisdiction, or a school-by-school. And what we were trying to do here was to ease your administrative burden, if you will, for institutions by examining if there were compliance areas that foreign institutions would be able to comply with on a nationwide basis. There weren't many. This was actually the only one that we could come up with, but, nonetheless, you are allowed _____ on a countrywide basis your legal authorization to offer educational programs.

In terms of financial responsibility, foreign institutions are financially responsible if the institution notifies the Secretary of its designation as a public institution by the country or government with that authority, and provides appropriate documentation, and is not in violation of any past performance agreement. This is very similar to what we do on the domestic level for financial responsibility for publics in this country. If you are a foreign public institution and you do not meet these requirements, you would be subject to financial responsibility requirements under Section 668.171, and with that, I'll turn it back over to Joe.

Joe Smith:

One of the changes in the HEOA was that the law permitted the Secretary to modify certain audit requirements, and also to waive audit requirements for institutions that receive less than \$500,000.00 annually. So, the department modified through regulation the audit and financial statement reporting requirements for foreign institutions. We've already discussed the waiver that

was described by Dear Colleague Letter GEN-09-06. These new rules for compliance audits and financial statements are effective for audits that are due on or after July 1, 2011, which means that they would be applicable to audits that have a fiscal year end date that ends on or after January 1, 2011. In general, the compliance requirements and audit requirements are very similar with respect to the basic structure. They need to be performed pursuant to the audit guide, which will need to be updated by our inspector general. They have two levels of engagement: A standard compliance engagement and an alternative compliance engagement. They would cover a fiscal year. It would cover all the transactions that have occurred since the last audit, and, again, the due date is six months subsequent to the fiscal yearend date of the audit period.

For the compliance audits, we see the very familiar \$500,000.00 threshold. Above \$500,000.00, an institution, again, is continuing to be required to submit a standard compliance audit. But beneath \$500,000.00 annually, there is a requirement to submit an annual alternative engagement, but in certain circumstances we will allow an institution to submit as many as a three-year compliance audit under the alternative standard if it receives less than \$500,000.00 in the most recent fiscal year period, it's fully certified to participate in the programs, its two most recent audits have been timely submitted to the department, and it hasn't made any other late submissions since those two most recent, and you've been notified by the Department of Education that you qualify. What you'll essentially be able to do is defer the audit submission requirement for as many as three fiscal years.

For a for-profit institution, it continues to be required to submit a standard compliance audit engagement without respect to funding threshold. There is a little asterisk here. If the department identifies a problem in an institution's administrative _____ or compliance audit reporting, the Secretary can continue to require an annual submission of an alternative compliance engagement, and it might also require that the engagement be prepared at the standard level of engagement rather than at the agreed upon procedures level, as _____ engagement would be conducted at. Also, we've contemplated a situation where an institution's funding is fluctuating and it may be beneath \$500,000.00, but then go over in the subsequent year, and, in that case, the institution would be expected to submit the standard audit for the most recent fiscal year where it was above \$500,000.00, and submit any un-submitted alternative engagements at the same time as the standard audit is due, so you would have to prepare all of the audits when

you go over \$500,000.00 in your fiscal year.

Audited financial statement requirements have been significantly modified. For an institution that is less than \$500,000.00, there is the waiver. We don't require a U.S. GAAP financial statement or a home country GAAP financial statement, with one limited exception, and that's for an institution that is on its initial certification for participation in the Department of Education's federal student aid programs. For an institution that receives less than \$3 million but at least \$500,000.00, the audit is supposed to be submitted according to home country standards, and it should be submitted in English, but it is not required to be submitted in a U.S. GAAP/GAGAS format. For an institution that receives less than \$10 million but more than \$3 million, it is required to submit a U.S. GAAP financial statement that's also prepared according to U.S. government auditing standards, and also its home country financial statement, except in – there's this really unusual omission period.

If you submit a U.S. GAAP, then you can defer a U.S. GAAP submission for the next two consecutive fiscal years, and for institutions that receive at least \$10 million annually, those institutions are expected to submit home country and U.S. GAAP financial statements concurrently to the department, and submit it in English. For our for-profit partners, they're always required to submit both home country and U.S. GAAP financial statements. Again, there is that additional asterisk. If there are financial conditions that are identified specifically, the Secretary can require an institution to submit at a higher level of engagement.

Gail McLarnon:

I just wanted to mention that the development of this slide knocked out about ten pieces of this presentation, so it's a wonderful tool. I think that this really sums up nicely the audited financial statement requirements, and I think it was Joe that put this together. It's really well done. Okay, back to me, and we're going to talk now at the end, light at the end of the tunnel, if you can take anymore, we're going to talk about foreign graduate medical school requirements, foreign nursing school requirements, and foreign veterinary school requirements. We're going to start with foreign graduate medical school requirements. How many foreign graduate medical schools have we got? Hello? _____ for you. Let's start with the change made by the Higher Education Opportunity Act to USMLE pass rates. This is the U.S. medical licensing exam. Basically, the HEOA increased the pass rate threshold from 60 percent to 75 percent. There is a continuing exemption for schools with state approved clinical training programs as of January 1, 1992, if the school operates a clinical

training program in at least one state that approves the program, and there is an exemption for Canadian medical schools, as well.

In terms of citizenship percentage, the requirements for foreign medical schools exempt foreign medical schools from the 60 percent citizenship approved clinical training – excuse me, the citizenship percentage if the institution had a state approved clinical training program as of January 1, 2008, and continues to operate such a program in at least one state that approves the program. Just as a reminder, the 60 percent citizenship rate requires at least 60 percent of students and 60 percent of graduates not be U.S. citizens, nationals or eligible permanent residents. The HEOA also allows for the promulgation through regulation of new eligibility criteria for foreign medical schools that have a clinical training program that is approved by a state prior to July 1, 2008. The department decided to apply these to all foreign medical schools, unless specifically exempted by statute, and in doing this, the department was required to take into account the recommendations of the National Committee on Foreign Medical Education and Accreditation report, that's NCFMEA – there's a whole alphabet soup of organizations associated with foreign medical schools – and the government accountability Office report. So, we went ahead and did that, as you'll see going through these regulations.

In terms of the USMLE pass rate, we've got two or three slides here in a row – 35, 36 and 37 – that go into a lot of detail on these USMLE pass rates. I'm not gonna go over them. I'll read them to you. As we said earlier in the program, these slides can be very dense, there's a lot of details here, and this is a resource document for you, as well. So, keep in mind that all of the changes around USMLE pass rates are on the next few slides, and that I'm gonna move forward to Slide 38 and talk about MCAT requirements. A foreign graduate medical school with a post-baccalaureate or equivalent medical program must require students accepted for admission who are U.S. citizens, nationals, or permanent residents to have taken the MCAT, and to have reported their scores to the school. The good news is that you don't need to give the MCAT any weight in your admissions process. You only need to follow the requirements here on this slide.

There are also new requirements for foreign medical schools around data collection and submissions. Basically, we're talking about data collections and submissions. That would be to the Department of Education, the Secretary. On MCAT scores on U.S. student graduates who are placed in accredited medical

residencies, there's data collection on USMLE scores earned by at least U.S. students, and there's data collection requirements about citizenship rates, unless you are exempted by statute. Basically, you're going to have to determine the consent requirements of your country because you're going to have to get your students' consent to give you this information, and you're gonna have to require all students accepted for admission to provide that consent so that you can, in turn, collect this information and submit it to the department. Again, lots of detail on the slides, 41 and – hmm? I'm sorry. Am I using the wrong numbers on the slides? Okay, I apologize, because we had put this presentation together separately and I had my own numbers. So, I apologize. The requirements are on the next couple of slides, and, again, I'm not gonna read them to you. It goes give you a good idea of what you need to do in particular for all of the areas that I just mentioned – the scores, the citizenship requirements, the residency placements, and things of that nature.

Moving on to satisfactory academic progress, on Slide 58. Sorry. You are subject to satisfactory academic progress. I know you spent some time yesterday in training. Your Training Book 1 goes through all of the requirements for satisfactory academic progress, and I know for those of you who were there, you have that as a resource, as well as this presentation. You have to include, as a quantitative component, a maximum timeframe for students to complete the program that is no longer than 150 percent of the published length of the program. You have to divide it into increments, not to exceed the lesser of one academic year, or half the published length of the program.

You have to include a schedule established by the school designating the minimum percentage of work that a student must complete at the end of each increment, and include specific policies defining the effect of course incompletes, withdrawals, repetitions, and non-credit remedial courses on satisfactory academic progress. Again, I would refer you back to your training materials from yesterday. You've got slides in there that go over these requirements, as well. In terms of remediation and language of instructions, you are going to be required to document educational remediation that's provided to your students to assist them in making satisfactory academic progress, and you have to publish all of the languages in which your instruction is offered.

The next series of slides deal with the location of a program. Basically, no portion of a program offered to U.S. students, other than the clinical training portion, may be offered outside of the

country in which the main campus of the foreign medical school is located. This is not a change in policy. The department continues to feel strongly that the basic sciences part of the program should be in the same country as the main campus so that the majority of the classroom instruction part of the program will be under the direct authority of the school's accrediting authority. So, again, not a change here in policy. All portions of a program offered to U.S. students must be in a country whose medical school accrediting standards are comparable to U.S. standards. Again, this comparability standard that we see coming up again and again throughout these new provisions. It must be comparable to U.S. standards as determined by the NCFMEA, except for clinical training sites located in the United States, and that is as provided in the law, and except for clinical training sites that are included in the accreditation of one of the U.S. medical accrediting agencies – think LCME or AOA – or is a clinical training site at which no individual student takes more than two electives and the combined length of the electives does not exceed eight weeks.

Clinical training can be located in a foreign country other than the country where the main campus is located, or in the U.S. However, the site must be located in an NCFMEA approved comparable foreign country. The school's medical accrediting agency must have conducted onsite evaluation and approved the clinical training site, and the clinical training must be offered in conjunction with programs offered to students enrolled in accredited medical schools located in that approved foreign country, and we're gonna talk a little bit more about these two electives in eight weeks criteria shortly. Clinical training programs located in a foreign country other than the country of the main campus or in the U.S. are not required to meet those previous requirements, the ones that were on the slides we just went over, if the location is LCME or AOA accredited, or no individual student takes more than two electives at the location, and the combined length of the elective does not, again, exceed that eight-week period.

This whole concept of two electives in no more than an eight-week period was created as an exception for the clinical training sites at locations that are included in accreditation of U.S. medical accrediting agencies or are at these sites. This came out of a lot of discussion around the negotiating table about the three parts of clinical training – the core rotations, the required clinical rotations, and the non-required clinical, or what we would call elective rotations. And we were finally persuaded by the foreign school negotiators that it's okay to balance less oversight for these short-

term locations at which individuals are required to take these small portions, or these electives, if you will, with the benefit of exposure to other country environments and other medical and other country environments _____ culture. So, that is why we carved out this exception to give the student a more well rounded experience in terms of their elective requirements. Because of the importance and the more standardized nature of the core and required clinical rotations part of the program, foreign medical schools are required to have formal affiliation agreements with any hospital or clinic at which all or a portion of these parts of clinical training are provided. For clinical rotations that are not required, foreign medical schools must have written arrangements, not a formal affiliation agreement, except for those locations that fall under our two elective eight-week exception.

The next few slides show you exactly what you need to include in these agreements. The agreements must state how these factors will be addressed: The maintenance of school standards, appointment of faculty to staff, design of your curriculum, the supervision of your students, the evaluation of student performance, provision of liability insurance. You have to notify your accrediting body within a year if there are material changes in your programs, including your clinical training programs and overseeing bodies, and in the formal affiliation agreements with hospitals and clinics. So, good deal of information here. In terms of application and notification procedure requirements, the initial participation and application and re-application must list all of your school sites, except clinical training sites – again, our exception here – not regularly used but chosen by individual students taking no more than two electives at the site for no more than eight weeks total.

You have to include the type of clinical training offered at each site listed, whether the school offers only post-baccalaureate or equivalent programs, or what other types of programs you may offer, or both. You have to have copies of your affiliation agreements with hospitals and clinics that provide your clinical training, as well. In terms of updating your application information, you have to apply to the department and await approval to add locations that offer all or a portion of your core clinical training or required clinical rotations, except those LCME or AOA accredited locations. You have to notify the department within ten days of adding a location offering all or a portion of your clinical rotations that are not required, except, again, LCME or AOA accredited, or not used regularly but chosen by the individual. Again, the exception that we carved out. I know that's

a lot to take in for foreign meds, but those are the new regulations.

I do want to turn now to eligibility of foreign nursing schools. We're quickly running out of time, and I apologize for that, but there are some new requirements for nursing schools to participate in the program. These were added by the Higher Education Opportunity Act. The regulations implement these statutory changes and require that foreign nursing schools must be associate, collegiate and diploma schools of nursing. A foreign nursing school must have an agreement with a U.S. hospital or accredited school of nursing that requires foreign nursing students to complete their training at the hospital or nursing school. And, finally, you have to have an agreement providing for students to receive degrees from both nursing school and foreign nursing school, and that U.S. nursing school. There is a unique provision around foreign nursing schools participation, and this is that a foreign nursing school is required to reimburse the Department of Education for the cost of any loan defaults incurred by the borrowers of Direct Loans that attend their school, and this would be during the defined cohort default rate period. Basically, that is defined as the cost of the loan default for estimated future collections.

I just want to talk a little bit about this. We went into the negotiations proposing that foreign nursing schools be required to, in terms of satisfying this requirement, reimburse the Department of Education for any outstanding principal, accrued interest, unpaid late fees, collection costs, for FFEL loans special allowance and other FFEL-related costs, after which we were going to assign the loan to the foreign nursing school for collection. It would have become an outstanding receivable for the foreign nursing school, no longer a federal student loan. We received a lot of negative comments, a lot of negative feedback on this, both from the nursing schools and from advocates within the United States, because their view was that this was unfair to the borrowers.

There are benefits under the Direct Loan program, and as you become more familiar with it, you'll begin to recognize that there are benefits like rehabilitation and certain discharge provisions that are available to Direct Loan borrowers, but only as long as they are, in fact, a Direct Loan borrower. So, our solution here was it would be a better approach if the Department of Education continues to hold the loan and collect on that loan so that the borrower will remain eligible for all of those very important benefits, and the borrower won't be taken advantage of, if you will, by these provisions.

The cost of a loan default: Again, the estimated future cost of collections. This is a formula that the department uses. It's something that we will calculate as we begin to track the defaults, and something that we will charge nursing schools for going forward of these regulations. The HEOA also amended the Higher Education Act to require that at least 75 percent of individuals who are students or graduates of foreign nursing schools and who took the NCLEX-RN exam had to have a 75 percent pass rate. The foreign nursing schools have to determine – that is information that you're going to have to provide to the department, and just like foreign medical schools, you're going to have to determine consent requirements and obtain that necessary consent from your students in order to provide that information to the department. You can provide the exam results for U.S. students or graduates, or, as an alternative, you can obtain a report or reports from the National Council of State Boards of Nursing showing the percentage of U.S. students and graduates who passed. You have to do this annually, and you have to do it at your own expense, and I meant to mention that about foreign med schools, as well – annually and at your own expense.

Effective dates of the new requirements on nursing schools: July 2012 for foreign nursing schools that were participating in Title IV as of August 13, 2008, and July 1, 2011 for all other schools. And, finally, thank you for your patience – I know this has been so much information to take in – eligibility requirements for foreign veterinary schools. Students at for-profit foreign veterinary schools must complete clinical training in the United States. Students at public or private non-profit veterinary schools must complete clinical training in the U.S., in the home country, outside the U.S. or home country if the site is accredited by the AVMA, or the individual student – again, our exception – takes no more than two electives at the location and the combined length of the electives does not exceed eight weeks. Effective on July 1, 2015, a foreign veterinary school will have to be accredited or provisionally accredited by an organization acceptable to the Department of Education. And that ends the presentation. Again, thank you so much. We are available for questions a little bit – five minutes. We'll sit up here and take questions.

Geneva Leon:

I also want to remind folks that tonight is the open forum, where we have other folks from our policy office, and then, also, our policy liaison office, **Jeff Baker**, will also be at the open forum after our very last session of the day, which is about, was it 5:00 on the schedule? It's the very last session of the day, around 5:00. We really would like for you to come out to that open forum, and

we can certainly gather feedback on some of the challenges and other policy questions that you have that we don't get to today. But go ahead, let's start with the questions.

Audience: Yes. Question number one, very briefly, there's no more than 2 weeks and total of 8 weeks rotation that you mentioned. This is in contradiction with some of the states because, in some of the states, 12 weeks are allowed. That's one point. I don't know which one _____, the education department or the _____ states.

Joe Smith: Yeah. This exception is applicable for clinical training that does not occur either in the U.S. or in your home country, so it's in a third country that is not an NCFMEA recognized country. It's a very short-term thing, so it's not referenced to a state requirement.

Audience: As far as the Canadian exemptions that you mentioned, some schools, our school for example, we have 5 to 10 percent of our schools are Canadians, and they do take USMLEs, all of them _____, and will they be counted toward the 60 percent versus 75 percent threshold?

Joe Smith: Yes. All takers of the USMLE are counted in the percentage pass rate.

Audience: Okay. What do you do with the _____ that go for a six-year program? What _____ in terms of taking MCAT? What I mean is that **what do you do if they** take the MCAT?

Joe Smith: The question is when, or where?

Audience: Yeah, when.

Joe Smith: When?

Audience: What year, at what level? I know what they do in the U.S., but –

Gail McLarnon: They can take it anywhere, and I believe that they have to take it before they are enrolled and attending at your institution.

Audience: No, I understand that, but I mean at what level in their study they are eligible to take the MCAT? In the U.S., you take it after your pre-med, but what do you do with the six-year program? There's no pre-med. They continue. They take it the second year, or the third year, or the fourth year? That's what I want to know.

Geneva Leon: Yeah, and I'm gonna have to – I don't know the answer to that question.

- Audience:* Okay. Thank you very much.
- Geneva Leon:* There's going to be questions that are very technical in nature and that, as –
- Audience:* Okay.
- Geneva Leon:* – but we're gonna try to keep track of all of these –
- Audience:* Sure.
- Geneva Leon:* – and provide you with the answers.
- Audience:* Thank you.
- Geneva Leon:* Thank you.
- Audience:* Yes. Hi. As you know, we have always had problems in obtaining the consent forms from the students. Now, on one of the slides, you mentioned that we have to have a policy in order to obtain these consent forms, which we do have, but we don't do anything with the consent forms without the number, so some students will sign the consent forms but they won't give us their number. And then, for example, I realize in one of the letters that you had sent to the foreign schools stating that before September 30 we had to submit the passing rate, so we got this letter from the **ECFMG** where they already had calculated the percentage for us for the 2009, but we never got the individual ones. We did sign the agreement with them, but we still don't have any access, but according to the ECFMG, we will be able to see the percentage but not the students so that we can determine the three years that we have to report to the Department of Education, preceding whatever year we're calculating. So, you know, _____ disadvantage because we can't get all the consent forms. So, in order for us to actually –
- Joe Smith:* You have to have a policy –
- Audience:* – need –
- Joe Smith:* – you need to get the consent forms. You have to require it of your students as a –
- Audience:* Okay, so now we can say –
- Joe Smith:* – condition of admission.
- Audience:* – it's mandatory?

- Joe Smith:* Yes.
- Audience:* It's not something voluntary?
- Joe Smith:* Absolutely.
- Audience:* But you are aware that even if the student signs a consent form, they can still call ECFMG and say, "You know what? I don't want the results released."
- Joe Smith:* It has to be part of your agreement to admit the student into your institution.
- Audience:* Okay, so now we can set that as mandatory?
- Joe Smith:* Yes.
- Audience:* Okay, and another question is since we already submitted the Department of Education before September 30 our passing rate for 2009, do we still have to do the three years preceding, or that was an exception?
- Joe Smith:* Are you talking about graduates, recent –
- Audience:* Graduate, the medical student that take the ECFMG. The Department of Education sent us a letter saying that before September 30, we had to submit all the students taking passing rates for 2009. Now, does that mean that you're gonna take that as okay, or we still have to submit the three years preceding our audit?
- Joe Smith:* Your data should include students who are currently your medical students, and your recent graduates from the three – the graduates from the three prior graduating classes.
- Audience:* So, we still have to submit that document?
- Joe Smith:* That population of test takers should be included in your 2009 ECFMG pass rate data.
- Audience:* I'm gonna have to check that with ECFMG because it only says students taking passing rates of 2009. It doesn't mention that they actually took into account the three years preceding. The letter doesn't say that. It only says any students taking the exams during the 2009, but it doesn't say it included the three years preceding. No, I'm serious.

- Joe Smith:* Yeah, well it's always been the regulation that it includes recent medical graduates and students in the population of students in which the pass rate is calculated.
- Audience:* I'm aware of that, but my question is even though you got the report from ECFMG, do we still have to submit the three years preceding, or –
- Joe Smith:* No. If you submitted –
- Audience:* – they did include it?
- Joe Smith:* – if ECFMG has submitted an institution report on your behalf to the department, you have satisfied the requirement.
- Audience:* Okay. Thank you.
- Audience:* Hi. I'm wondering if you can tell me what's required to get rid of a provisional status. We've been authorizing student loans for about 25 years and had an issue several years ago that we thought was resolved, and we've not had any problems for quite a while, but we're still on a three-year provisional reporting.
- Geneva Leon:* If you look at the Program Participation Agreement and see what the provision is. Once we put you on a provisional status, it'll tell you why, so if, for instance, there was a late submission of an audit or a financial statement, or a late submission of your application, or maybe we have an open audit that has issues that need to be resolved, that could also possibly put you on a provisional.
- Audience:* Yeah, it's actually –
- Geneva Leon:* So, you really need to look at the PPA to see the specificity of the issues.
- Audience:* Yeah, it was entrance and exit counseling that was addressed about five years ago, and we've not had any subsequent issues.
- Geneva Leon:* Generally, we don't have a provisional that just says entrance and exit, but it would be on the audit itself. So –
- Audience:* Okay. I'll look at the details –
- Geneva Leon:* – the next time you come up in a re-certification, if those have been taken care of, you should qualify for a full, as long as your other things are timely.
- Audience:* Okay. Thank you.

Audience: I'm one of those pesky auditors out there, and we had some foreign schools. Two quick questions. The first one, are foreign schools, as part of the change of ownership that you mentioned several times, are they allowed to participate in the pre-acquisition review process?

Geneva Leon: Yeah. Anyone can participate in a pre-acquisition review, and what that means is you can actually say, "This is what we're thinking about doing," and you can send in an application early, and we'll take a look at what you're thinking about doing before it happens, and we actually recommend that.

Audience: Right.

Geneva Leon: Because then, when it comes time when you do make this change, everybody is ready to roll with what the requirements are and what you need to do.

[End of Audio]