

Accreditor President/Address

Date

Dear XXXX,

We write today on behalf of 22 organizations working on behalf of students and consumers to urge federally recognized institutional accrediting agencies to increase and improve their financial monitoring of colleges, put protections in place for students at colleges at potential risk of closure, and conduct additional oversight of colleges that have switched their operations online to ensure students are receiving quality instruction during this time of national crisis.

The national pandemic marks a time of unprecedented uncertainty for higher education. In a sector where many private colleges were already on the brink, the coronavirus pandemic is causing increased financial strain on institutional budgets as colleges have had to switch operations online, issue large sums of money in refunds for housing and other fees, and now face uncertain fall enrollment. Public colleges face equally damaging losses in revenue, uncertain fall enrollment, and looming state budget cuts which create additional challenges.

The risk of financial fallout is increasing. Earlier this year, Moody's Investment Service downgraded its outlook on the higher education sector from stable to negative, pointing to over 30 percent of public colleges and almost 30 percent of private colleges already operating deficits.¹ According to Moody's, only about 5 percent of private colleges have at least 90 days of cash on hand to help them withstand the losses.² Other projections in light of the pandemic estimate that college tuition revenue will decrease by 10 percent in the year ahead and institutions at high risk of closure will increase by 40 percent.³ As the pandemic wears on, an increasing number of colleges will be forced to shut their doors permanently.

Financial constraints may also affect institutions' ability to offer quality online learning opportunities. For students enrolled at institutions that have had to suddenly switch their operations online and the colleges serving them, online education already presents additional challenges. Some students have reported limited student and faculty interaction and decreased quality and rigor in their courses.⁴ Meanwhile, institutions that have made the switch report that one of the biggest challenges for many students is that online education is not their preferred way to learn. Many lack access to proper equipment or internet service, undermining their ability to engage meaningfully in virtual coursework.⁵ This raises the risk that students--particularly

¹ <https://www.educationdive.com/news/moodys-lowers-higher-ed-outlook-to-negative-amid-coronavirus-crisis/574414/>

² <https://www.usatoday.com/story/news/education/2020/03/21/coronavirus-college-students-online-closing-private-liberal-arts/2889546001/>

³ <https://www.insidehighered.com/news/2020/05/08/public-and-private-measures-colleges-financial-strength-spark-more-discussion>

⁴ <https://www.voanews.com/covid-19-pandemic/unimpressed-online-classes-college-students-seek-refunds>

⁵ <http://www.accsc.org/UploadedDocuments/1956/Polling-Results.pdf>

low-income students-- will see the promise of their program diminished, and ultimately not complete their courses or decide to defer enrollment and not return. For students, the quality of education received is an important factor in completion.

As the leg of the federal triad tasked with ensuring educational quality, accrediting agencies play a critical role in monitoring the colleges they oversee. This includes ensuring that students are receiving a high-quality education and are protected in the event of institutional closures. The national pandemic provides accrediting agencies with the opportunity and responsibility to proactively monitor institutions as the first line of defense and protect students as they navigate crisis and uncertainty.

A review of recent institutional closures demonstrates that accrediting agencies possess perhaps the greatest understanding of an institution's comprehensive financial picture, often conducting financial monitoring years in advance of eventual closure, even when the U.S. Department of Education's (Department's) own financial monitoring has not yet detected any financial risk. However, despite a more thorough understanding of the potential risks facing individual institutions that close, accreditors have often failed to secure teach-out plans or agreements in advance or provided proper disclosure to students enrolled at closing institutions. Given the immediate challenges facing higher education, annual monitoring and passivity is not enough.

As accreditors help institutions navigate the national crisis and provide additional flexibility that allows institutions to operate seamlessly online, they should also prepare for the inevitable reality that many institutions will close in the months and years ahead and make efforts to mitigate the potential harm this will have on countless students.⁶ The following policy changes will help protect students and minimize harm:

1.) Increase Monitoring and Oversight of Institutional Finances and Enrollment. As institutions face increasing financial uncertainty, accreditors should increase monitoring and identify institutions at greatest risk of closure.

a. Collect data more regularly to monitor institutional finances and enrollment.

Accreditors already have several tools at their disposal that can be used to identify which institutions are at high risk of financial collapse. This includes financial responsibility composite scores from the Department of Education and annual financial data from audits collected by accrediting agencies. However, particularly in the current environment where schools are subject to dramatic swings in finances, available cash, and revenue losses from declining enrollment, these indicators lag too much and are backward looking to be able to fully assess which institutions are at greatest risk of closure. Accreditors should collect new information that assesses where an institution's finances currently stand, determine whether there is new risk that is not reflected in the last audited fiscal

⁶ <https://www.defendstudents.org/news/body/quality-assurance/Student-Defense-Quality-Assurance-Initiative-School-Closures.pdf>

statements, and have a college representative attest to its accuracy. This should include assessment of data on finances and enrollment from institutions they oversee to help assess high- and low-risk institutions on a regular and ongoing basis.

b. *Use new data to identify those at greatest risk of closure.* Accreditors should use new data indicators that include a current assessment of cash flow and an institution's expected or actual change in enrollment, which represents one of the most important indicators of an institution's financial health. These measures would present a better picture of the institutions current financial risk and help determine those at greatest risk of closure.⁷

c. *For institutions at high risk, continue regular data collection on finances and enrollment.* For institutions that are identified as in financially precarious conditions, accreditors should require additional reporting and monitoring, including measuring liquidity and cash-flow.⁸ While some agencies already have processes in place to monitor finances on a short timeline, these practices are not widespread. This could include monitoring through audits of institutions, self-reported financial data, and biweekly updates on projected enrollment. It should also measure deposits for the next term and how those deposits affect projected cash-flow, since some institutions may have liquidity now but struggle if enrollment is not sustained.

c. *For moderate- to low-risk institutions, continue to monitor enrollment changes.* For other institutions that are not at immediate risk of financial collapse, accreditors should continue to monitor enrollment on a regular, timely basis to identify institutions that face increased risk of financial uncertainty. Institutions that experience large and sudden drops in enrollment may require additional monitoring.

2.) **Implement Student Safeguards for Potential Closures**

a. *Require teach-out plans and agreements from high-risk institutions.* For high-risk institutions, accreditors should be requiring teach-out plans within 60 days of a review indicating the institution is at high risk. However, teach-out plans are not adequate to ensure students have high-quality transfer options to continue their studies; for the highest-risk schools, teach-out agreements must be required at signs of significant trouble, prior to an announcement of closure. Accreditors should also ensure that teach-out options are offered only by financially secure institutions and include guarantees for students that they will not be charged excessive additional tuition and fees, and clear information on credit transfer. The new accreditation regulations that go into effect in July 2020,

⁷ <https://tcf.org/content/report/how-to-stop-sudden-college-closures/>

⁸ <https://tcf.org/content/commentary/monitor-colleges-may-soon-fold-look-liquidity/>

provide a roadmap for ensuring receiving institutions are high quality and minimum expectations for what students should expect; the teach-out provisions of those regulations should be implemented as soon as possible.

b. *Require records management plan.* Accreditors should also give ample thought to ensuring plans and agreements include a thorough records management plan. The plan must ensure students have access to their financial and academic records in a possible closure without facing additional charges or limits based on fees owed.

3.) **Monitor Institutions' Use of Online Educational Delivery**

a. *Require reporting for institutions going online.* Many agencies are already requiring reporting from institutions that have switched to online delivery. However, this varies across agencies; others are not systematically tracking this reporting in any way, including for colleges that were not previously approved to offer online learning. It is important that accreditors monitor which institutions have made the switch online to ensure they are meeting regulatory requirements and to be able to determine which institutions need additional approval when the national emergency ends. While many programs have temporarily transitioned online, programs requiring hands-on instruction should not be permitted to transition without sufficient evidence that students' needs can be met with online classes, and the transition should not be continued for longer than necessary. This should include basic reporting on the description of programs impacted, the initial data of change in delivery, enrollment, and periodic updates on when the school expects to return to normal operations.

b. *Focus on quality in online program delivery.* As an increasing number of institutions make decisions about online operations continuing into the fall, accreditors should require minimum reporting and documentation on how institutions are ensuring quality in their online programs and how programs are meeting federal requirements to ensure regular and substantive interaction between students and the instructor.⁹ This could include additional documentation such as how each program or course is being delivered; what types of supports are being provided for students, including academic and technology support; how the institution will oversee quality in its online programs; how the institution is ensuring student access to faculty; and how students will access educational resources.¹⁰

c. *Monitor marketing and recruitment.* The last Great Recession fueled a boom in enrollment growth across higher education as more Americans sought

⁹ https://accjc.org/wp-content/uploads/2020_03_16-COVID-19-Update.pdf;
<https://files.constantcontact.com/8baad9bb001/803490be-2bf8-4603-bb39-51d9d8f3c386.docx>;
<https://www.hlcommission.org/General/changes-to-educational-offerings-due-to-the-coronavirus.html>.

¹⁰ <http://www.accsc.org/UploadedDocuments/1957/Coronavirus-FAQ-for-Schools.pdf>

additional education. This enrollment growth was particularly troublesome at for-profit colleges and online programs using aggressive recruiting and marketing practices and resulted in deception and abuse at many institutions, leaving students with high debt and low job prospects. Accreditors should avoid mistakes of the past by tracking spikes in enrollment, monitoring marketing and recruitment practices, and aggressively enforcing protections from misrepresentations and fraud in advertising. This could include audits of institutional recruiting practices, reports on any new marketing spending, audits of any new materials used for marketing and recruiting, and any new or changing agreements with online program managers to evaluate marketing and recruiting materials and outreach. Audits of recruiting and marketing practices should move away from a desk-audit model to a real-audit mindset, where the veracity of institutional submissions is investigated through sampling. Agencies can make use of limited resources by focusing on institutions based on the proportion of their budgets spent on marketing and recruitment and risk factor, sudden increases in enrollment, and by interviewing students, or other similar practices.¹¹ This will help protect consumers from low-quality educational programs and ensure that institutions experiencing enrollment growth have the capacity to deliver high quality programs.

Accrediting agencies must take an active role in ensuring quality and protecting students and institutions as they navigate the national crisis. It is critical that agencies conduct increased financial monitoring, particularly for institutions at high-risk of closure, and put plans in place to ensure students are not left in the lurch in the months ahead. Accreditors can also help ensure quality and stability for students by monitoring institutions switching to online education, sudden changes in enrollment, and marketing and recruitment practices. Additional oversight will help avoid the worst practices from the past so that harms are not repeated in the current emergency.

Center for American Progress

Center for Law and Social Policy

Consumer Action

Education Reform Now

Generation Progress

Higher Learning Advocates

Maryland Consumer Rights Coalition

¹¹ <https://vetsedsuccess.org/advice-for-accreditors/>

National Association for College Admission Counseling

New America Higher Education Program

PHENOM (Public Higher Education Network of Massachusetts)

Stephanie Hall, The Century Foundation

St. Louis Graduates

Student Defense

Student Veterans of America

The Education Trust

The Institute for College Access and Success

The League of Student Advocates

The Scholarship Foundation of St. Louis

Third Way

U.S. Public Interest Research Group (PIRG)

Veterans Education Success

Yan Cao, Fellow, The Century Foundation