



September 4, 2020

Dr. Cheryl Evans Jones
President
Paine College
1235 Fifteenth Street
Augusta, GA 30901-3182

email: cevansjones@paine.edu

RE: **Final Program Review Determination**
OPE ID: 00158700
PRCN: 201840429913

Dear Dr. Jones:

The U.S. Department of Education's (Department) Office of Federal Student Aid issued a program review report on January 23, 2019, covering Paine College's (PC) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). PC's final response was received on December 23, 2019. A copy of the program review report (and related attachments) and PC's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by PC 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.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to identify liabilities resulting from this program review report. Liabilities totaling \$25,435 have been repaid by PC. No further action is required.

This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. In addition, Appendices C and D also contain PII. The appendices were encrypted and sent separately to the institution via e-mail.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Meg McGinness at margaret.mcginness@ed.gov or at (404) 974-9288. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.


Sincerely,

A large black rectangular redaction box covering the signature of Chris Miller.

Chris Miller
Division Chief

Enclosure:

Protection of Personally Identifiable Information (PII)
Final Program Review Determination Report (and appendicies)

cc: , Financial Aid Administrator
Transnational Association of Christian Colleges and Schools
Georgia Professional Standards Commission
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for
Paine College

Federal Student Aid
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OPE ID 00158700
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Prepared by
U.S. Department of Education
Federal Student Aid
School Participation & Financial Analysis Division - Atlanta

Final Program Review Determination

September 4, 2020

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A. Institutional Information

Paine College
1235 Fifteenth Street
Augusta, GA 30901

Type: Private

Highest Level of Offering: Bachelor's Degree

Accrediting Agency: Transnational Association of Christian Colleges and Schools
(Candidate Status)

Current Student Enrollment: 469 (2018 – 2019)

Percentage of Students Receiving Title IV, HEA funds: 96% (2018 – 2019)

Title IV, HEA Program Participation – PC Net School Funding Report

	<u>2018 – 2019</u>
Federal Pell Grant Program (FPell)	\$2,114,120
Teacher Education Assistance for College and Higher Education (TEACH)	\$0
William D. Ford Federal Direct Loan Program (FDL)	\$3,211,276
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$236,404
Federal Work-study (FWS)	\$536,413
Federal Perkins Loan (FPerk)	\$0

3 – year CDR FFEL/DL:	2016	28.5%
	2015	28.2%
	2014	26.4%

Perkins Default Rate: No longer participating

B. Scope of Review

The U.S. Department of Education (the Department) began an off-site program review at Paine College (PC) on September 10, 2018. The review was conducted by Meg McGinness.

The Department's Campus-Based Division referred PC to the Atlanta School Participation Division to determine the status of PC's Federal Perkins Loan records and to assist PC with the close-out and liquidation of the Perkins Loan program. The review consisted of an examination of PC's Perkins policies and procedures, PC's Perkins Loan records and PC's Fiscal Operations Report and Application to Participate (FISAP) records as well as Perkins Loan documents that were received from the Department's Campus-Based Division.

The Department issued its Program Review Report (PRR) on January 23, 2019 and the PRR is attached as Appendix A. PC submitted its first written response to the PRR on March 1, 2019. The response was incomplete and did not include any supporting documentation. PC submitted a subsequent response to the PRR on April 25, 2019 consisting of a listing of Perkins Loans that could not be assigned to the Department. On December 23, 2019, PC submitted its final response to the PRR which included payment for its federal share of the total amount of outstanding principal and interest remaining in PC's Perkins Loan fund. PC's responses to the PRR are included in Appendix B.

Disclaimer:

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

C. Final Determinations

Resolved Findings/Findings without Liabilities

Finding 2: Federal Perkins Loan Bank Records Not Maintained

PC officials stated during the Program Review that the institution did not maintain complete bank account records pertaining to the Perkins Loan Fund. PC was not required to respond to this finding unless it had additional information to provide regarding details related to Perkins Loan activity. PC did not provide any additional records or details in response to this finding. Therefore, this finding may be considered closed.

Findings with Established Liabilities

The program review report finding with liabilities requiring further action is summarized below. At the conclusion of the finding is a summary of PC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on January 23, 2019 is attached as Appendix A. A copy of PC's responses to the review are attached as Appendix B.

Finding 1: Discontinued Participation in the Federal Perkins Loan Program

Summary of Noncompliance: Federal Perkins Loan due diligence procedures (34 C.F.R. § 674.41 through 674.50) require all institutions to maintain borrower contact and disclose information in a written statement either shortly before the borrower ceases at least half-time study or during the exit interview. Information to be disclosed to the student includes the monthly anticipated balance; loan repayment options; consequences of default including adverse credit, litigation and referral to a collection agency; and the terms and conditions under which full or partial forgiveness, cancellation or deferment may be obtained by the borrower.

The institution must also require the borrower to provide:

- Name, Social Security Number (SSN) and current address
- Expected permanent address
- Driver's license number
- References
- Address of next-of-kin

A school must contact the borrower during both initial and post-deferment grace periods to remind him or her when repayment will begin or resume. If a payment is overdue and the school has not received a request for forbearance, deferment or cancellation, it must send the borrower:

- The first overdue notice 15 days after the payment due date.
- The second overdue notice 30 days after the first overdue notice.
- The final demand letter 15 days after the second overdue notice.

A borrower is considered to have an unsatisfactory repayment history if he or she has failed to make payments when due; has failed to request forbearance, deferment or cancellation on time; or has received a final demand letter. If mail sent to the borrower is returned as undeliverable, or if the borrower fails to respond, steps must be taken to locate the borrower. These steps must include:

- Review of borrower records in all appropriate school offices.

- Review of telephone directories or inquiries to directory assistance at the borrower's last known address to attempt to reach him/her by phone.
- Attempt to locate and contact the borrower by electronic means.

If the institution concludes that the borrower does not intend to repay the loan or seek deferment or cancellation, or if the borrower does not respond to billing attempts, the institution is required to take the following steps:

- Demand immediate repayment (loan acceleration)
- Contact the borrower by phone
- Conduct address searches, including skip-tracing
- Follow collection procedures and credit bureau reporting by reporting the account as being in default to a national credit bureau using school personnel or engaging a collection firm to report and collect the account.
- Follow litigation procedures and sue the borrower if the loan amount owed exceeds \$500 and the borrower has either assets attachable under state law or income which may be garnished.
- Assess costs chargeable to the Fund by assessing the cost of actions taken against the borrower with regard to past-due payments.
- Use contactors to perform billing. The institution is responsible for ensuring compliance with billing and collections and procedures such as making decisions regarding cancellation, postponement or deferments; extension of the repayment period; other billing and collection matters; and the safeguarding of all funds collected by its employees and contractors.
- Be aware of bankruptcy of borrower. If an institution receives notice that a borrower has filed a petition for relief in bankruptcy, it must immediately suspend collection efforts.

For award year 2000 – 2001 and succeeding award years, an institution with a Perkins Loan cohort default rate that equals or exceeds 50% for each of the three most recent years is ineligible to participate in the Perkins Loan program. Following a review of that data and upon review by the Secretary, an institution is ineligible to participate for the remainder of the award year in which a determination is made and the two succeeding award years. (34 C.F.R. § 674.5 [a][2])

A school must liquidate its Perkins Loan portfolio and program Fund when it:

- Voluntarily withdraws from the Perkins Loan program;
- Has had its eligibility to participate in the Perkins Loan program terminated by the Department;
- Has not been approved by the Department for continued participation in the Perkins Loan program during the school's recertification process; or
- Is closing.

The Department will not accept a Perkins Loan for assignment if the promissory note is missing or unsigned, or if proper due diligence has not been performed on the loan. 34

C.F.R. § 674.50 (g) of the Perkins Loan program regulations requires that the school reimburse its program Fund for the entire portion of the outstanding balance plus any accrued interest on any loans that are unenforceable. Once a loan has been purchased by the school, the Department transfers all rights, title and interest of the United States in the loan to the school for its own account. School purchased loans must also be properly accounted for and updated in the National Student Loan Data System (NSLDS).

34 C.F.R. § 668.26 requires that an institution submit a letter of engagement for an independent audit of all funds received under the Perkins Loan Program to the Secretary no later than 45 days after all Perkins Loans in the institution's portfolio have been fully retired, assigned and accepted by the Department or purchased. Upon completion of the liquidation process, § 466(c) of the HEA requires an institution to return the Federal share of its Perkins Loan Fund to the Department.

PC officials reported that Perkins Loans have not been advanced to students since approximately 2011. In 2009, PC's Perkins Loan cohort default rate was 51.6%. In 2010, it was 59.5% and in 2011 it was again 59.5%. PC's default rate exceeded the allowable threshold for continued participation in the Perkins Loan Program. In November 2011, the institution was notified by the Campus-Based Division that it was no longer eligible to participate in the Perkins Loan program and that it must begin the liquidation process.

Directives from PRR: PC was required to reconcile its Perkins Loan records with NSLDS records and update all borrower information in NSLDS. Once the Perkins loan information was updated, PC was required to provide a list of all Perkins Loans that could not be assigned to the Department. In addition, PC was required to engage an Independent Public Accountant (IPA) to conduct a Perkins closeout audit and remit the federal share of its Perkins revolving Loan funds to the Department as part of the Perkins Loan closeout process.

Analysis of Liability Determination: PC reconciled its Perkins Loan records with NSLDS and provided a listing of all Perkins loan records that could not be assigned to the Department. The school did not provide a Perkins closeout audit to complete the Perkins liquidation process and to date the school has not provided notice that they plan to engage an IPA to perform the Perkins closeout audit. PC must either include the Perkins closeout audit as part of its annual single audit conducted in accordance with the Uniform Guidance, or it may engage an IPA separately.

34 C.F.R. § 466(c) requires a school to return the federal share of its Perkins Loan revolving fund to the Department when it's liquidating and ending participation in the Perkins Loan program. The federal share is referred to as the "final capital distribution" or "federal distribution share" and is calculated using the school's Federal Capital Contribution (FCC) and Institutional Capital Contribution (ICC) amounts. PC's final capital distribution amount is \$25,435, calculated using the formula below:

$$\begin{array}{rclcl} \text{Net FCC} & & \text{X} & \text{Cash on Hand (COH)} & = & \text{Final Capital Distribution} \\ \hline \text{Net FCC + Net ICC} & & & & & \\ \\ \$1,135,538 & & \text{X} & \$33,410 & = & \$25,434.69 \\ \hline \$1,135,538 + \$356,048 & & & & & \end{array}$$

As a result of the liquidation process and ending participation in the Perkins Loan program, PC was required to submit the final capital distribution in the amount of \$25,435.

For the purposes of PC’s Perkins liquidation and closeout, PC must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS. NSLDS must reflect that borrower accounts are fully retired, accepted for assignment by the Department, or purchased by the school. Defaulted loans purchased by PC must be reported as “UD.” Non-defaulted loans purchased by the school must be reported as “UC.” Please refer to Appendix C (PC NSLDS Reconciliation Report) for the names and Social Security numbers of the 23 borrowers whose Perkins Loan status must be updated.

In addition, PC must provide a Perkins closeout audit to complete the Perkins liquidation process. PC must either include the Perkins closeout audit as part of its annual single audit conducted in accordance with the Uniform Guidance, or it may engage an IPA separately.

PC must continue to report Perkins Loan activity annually on the Fiscal Operations Report and Application to Participate (FISAP) until all final Perkins Loan activity has been reported. PC’s final Perkins Loan information on its FISAP must report that:

- All outstanding Perkins Loans have been fully retired, including loans that were purchased or accepted by the Department for assignment.
- The final FISAP must be submitted for the fiscal year during which the final Perkins loan activity occurred. The final report must show zero entered for cash-on-hand as of June 30th and October 31st (Part III, Section A).
- Entries for Repayments of Fund Capital to Federal Government (Field Item 28) and Repayments of Fund Capital to School (Field Item 30.3) equal the amounts returned to the Department and reclaimed by the school.
- Items in the following Field Items of Part III, Section C are reported as zero:
 - Total borrowers not in repayment status (Field 3);
 - Borrowers on schedule in repayment status (Field 4);
 - In default less than 240 days (monthly installments) or less than 270 days (other installments) (Field 5.1);

- In default 240 days or more (monthly installments) or 270 days or more (other installments), up to 2 years (Field 5.2);
- In default more than 2 years, but not more than 5 years (Field 5.3); and
- In default more than 5 years (Field 5.4).

Amounts pertaining to loans that have been fully retired, purchased or assigned are entered in the following fields of Part III, Section C:

- Borrowers whose loans are fully retired (Field 1.1). This includes borrowers whose loans were purchased.
- Amount of loans that have been purchased (Field 1.2).
- Borrowers whose loans were assigned to and officially accepted by the Department as of June 30th (field 2). (Note: Field 2 equals the sum of Fields 2.1 plus 2.2).
- Assignments due to default or liquidation (Field 2.1).
- Assignments due to total and permanent disability discharge (Field 2.2).

If PC has questions about reporting, liquidation or closeout procedures, please contact the Campus-Based Call Center at (877) 801-7168 or via email at PerkinsLiquid@ed.gov. Customer Service representatives are available Monday – Friday from 8:00 a.m. until 8:00 p.m. (Eastern Time).

If PC has questions specific to NSLDS data entry, access, use or reports, please contact NSLDS Customer support at (800) 999-8219 or email NSLDS@ed.gov for assistance.

Although PC did submit payment for \$25,435, the amount of the final capital distribution, on December 23, 2019, an official letter of liquidation completion and closeout cannot be finalized until all liquidation and closeout requirements have been satisfied. To complete the Perkins closeout process, PC must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS, provide a Perkins closeout audit to complete the Perkins liquidation process and report final Perkins Loan information on its FISAP. Once all closeout requirements have been satisfied, an official letter will be sent to PC from the Department's Campus-Based Division. The letter will confirm completion of the liquidation process and should be retained for PC's records.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is \$25,435 in final capital distribution for PC's Perkins Loan program. PC paid the entire liability amount on December 23, 2019.

Federal Perkins Loan Final Capital Distribution:
Total Amount: \$25,435