May 9, 2012

Dr. Martha J. Kanter
Under Secretary
U.S. Department of Education
400 Maryland Ave. SW, Room 7E300
Washington, DC 20202-8110

Dear Dr. Kanter:

On behalf of the American Association of Community Colleges (AACC) and the nearly 1,200 community colleges it represents, I am writing to express our concerns about the Department of Education’s (ED) appeals process for institutions faced with the loss of student aid eligibility due to high cohort default rates. We respectfully ask that the appeal process be slightly broadened (though leaving its substance unchanged) to better accommodate institutional realities.

Currently, ED does not permit institutions to make participation rate index (PRI) appeals to avoid Title IV sanctions unless the institution is faced with an imminent loss of student aid eligibility. This is stipulated in § 668.195 of the regulations.

We feel strongly that institutions should also be given the opportunity to ascertain whether a PRI appeal for a given cohort default rate would enable the institution to later avoid sanctions, if they should happen to have default rates that exceed the prescribed thresholds. In other words, once a given year’s default rate is published, filings that follow the formal PRI process should be permitted. ED could then indicate to an institution that its PRI for that year would protect it from institutional sanctions in the event that a formal appeal subsequently proved necessary. This would assure both students and institutions that federal student aid would remain available, at least for the time being. Given the catastrophic consequences for students of a loss of loan and grant eligibility, the availability of this option is a needed, and responsible, step for ED to undertake.

The stakes for our member institutions are high. Many community college officials are fearful of sanctions resulting from high defaults, and some colleges may be reluctant to participate in the loan programs for fear of potentially losing Pell Grant eligibility. This dynamic could work against the best interests of students. Anxiety over high cohort default rates will only increase as sanctions based on the 3-year cohort default rate begin to be implemented. Therefore, we again urge ED to find some way to provide greater security and longer-term planning ability for institutions. The logic behind the PRI remains sound.
AACC stands ready to work with ED to facilitate implementation of the process described above and other options that may prove effective for all concerned. In the meantime, thank you for your attention to this extremely important issue.

Sincerely,

[Signature]

Walter G. Bumphus
President and CEO

cc: Eduardo M. Ochoa