Student Finance: Risks, Opportunities and Pathway to Independence Considerations

Presented by:

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AND

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Summary

Based on recent conversations with Christian colleges and universities, it appears there are several areas drawing significant attention of boards and/or administrators:

• The Emerging and Increased Risks in the Federal and State Legislative and Regulatory Environments

• Operational Risks Related to Price, Population and Student Financing, including:
  • Declining enrollment of traditional students
  • Movement to a higher mix of non-traditional students (e.g. independent adults)
  • Increased discounts (i.e. merits, grants and scholarships and the impact they are having on net tuition revenue)

• The Pathway to Independence from Federal Aid

All of these areas have both direct and indirect student financing implications, which we will discuss in detail as part of this presentation.
King Consulting, and Hand-Up Financial
High Level Overviews
Introduction of KCG and HU

King Consulting Group (KCG)

- Post-secondary education, financial, operational and regulatory advising (e.g. cohort default and repayment rates)
- Financial aid packaging and scholarship /institutional grant analytics
- Education loan portfolio advising

Hand-Up Financial Group (HU)

- HU is a non-profit, social benefit corporation. It is free of many of the conflicts or complexities that for-profit lenders face – this allows greater value to be delivered.
- It can provide schools similar economics to institutional lending programs, but without all of the compliance and portfolio management concerns – this allows schools to focus on what matters most: educating students.
- The non-profit structure makes it possible to provide loans at terms and with approval rates comparable to Federal student loans – this enables schools to increase the scope of their reach beyond the middle class.
Duane Morris High Level Overview
Introduction of Duane Morris LLP

• Founded in 1904, Duane Morris is a multi-practice law firm with more than 750 lawyers in 27 offices in the United States, Europe, the Middle East and Asia.

• Duane Morris represents numerous universities, colleges, postsecondary schools, public school districts, private schools and other groups and businesses dedicated to education, providing deep experience and guidance in strategy, operations and finance, policy, as well as all legal aspects of this complex industry.

• What sets Duane Morris apart is that our lawyers have direct, daily experience and provide advice concerning compliance with federal, state and accrediting body regulations and standards applicable to postsecondary institutions, including the complex rules governing the Title IV student financial aid programs administered by the U.S. Department of Education.

• Higher Education Group Areas of Concentration:
  • Title IV Eligibility & Compliance
  • Accreditation and State Licensure
  • Lobbying & Policy
  • Corporate Law & Governance
  • Intellectual Property
  • Labor & Employment
  • M&A & Other Transactions
  • Education Litigation, Investigations & Administrative Appeals
  • Regulatory Response & Crisis Management
  • Student Relations
  • Government Contracts
Discuss Key Topics/Questions Related to:

The Emerging and Increased Risks in the Federal and State Legislative and Regulatory Environments
Government:

If you think the problems we create are bad, just wait until you see our solutions.

- Unknown
Legislative and Regulatory Topics

- New “Borrower Defense to Repayment” (BDTR) Regulations
- Online Distance State Authorization NPRM
- New Third Party Servicer Guidance
- Title IX and Related Topics
- Higher Education Act (HEA) Reauthorization
BDTR – Change to Current Standard

- Applies to all sectors of higher education, effective 7/1/2017

Current Standard:
- Allows student borrowers to assert a defense in an action for repayment if a cause of action would have arisen under state law

New Standard:
- Allows student borrowers to assert a claim that relates to making of a Direct Loan or provision of educational services for which the loan was provided, based on:
  - Non-default, contested judgment against school
  - Breach of contract (i.e., enrollment agreement, catalog, circulars, etc.)
  - “Substantial misrepresentation,” being a misleading statement or omission that borrower reasonably relied on to the borrower’s detriment
- ED determines how much of loan is forgiven
BDTR – Procedures

Individual Process (largely undefined):
- Individual files claim with ED
- ED official considers borrower’s evidence and institution response
- Decision of ED final; appeals process unclear

Group Process (largely undefined):
- ED has authority to process claims on a group basis when there are common facts and claims among borrowers
- ED can initiate group claims and include borrowers who have not filed a claim
- In group process where claim alleges widely disseminated substantial misrepresentation, presumption that all members of group reasonably relied on misrepresentation

Institutional Liability (process undefined): Institution where student attended is accountable for losses from borrower’s discharge
BDTR – New Financial Responsibility Rules

**Introduced concept of “Triggers”**

- Identifies actions and events that would trigger requirement that school provide financial protection, such as letter of credit, to ensure against future BDTR claims and other liabilities to Department
- Institution must self-report triggering events within 10 days

**“Automatic” Triggers**

- Includes settlements, debts, judgments federal or state enforcement actions, lawsuits, required teach out plans by accreditor, losses from gainful employment and campus closures, withdrawal of owner’s equity where composite score <1.5
- Most automatic triggers evaluated through calculation to most recently calculated composite score (some automatically require letter of credit)
- Required financial protection is a 10% letter of credit or more
"Discretionary" Triggers

- Institution not financially responsible if Secretary determines that event or condition reasonably likely to have material adverse effect on financial condition, business or results of operations

Examples of “Discretionary” Triggers

- “Significant” fluxuations in Title IV funds
- Citation for failing state licensing or accreditor requirements
- Institution fails a TBD “financial stress test”
- ”High” annual dropout rates
- Placed on probation, show cause, or equivalent status by accreditor
- Breach of loan agreement that enables creditor to require increase in collateral, change in contractual obligations, increase interest rate, or other sanction, penalty or fee
- Pending or expectation of “significant number of” BDTR claims
Proposed Online State Authorization Rules

State Authorization Required for Distance Programs:

- Institution offering distance courses to students in states other than "home state" must document that it meets any state applicable state requirements where online students enrolled
  - Unlike on-ground state authorization rule, does not require state to regulate out-of-state institutions
  - If required state authorization not held, students in that state are ineligible for Title IV aid
  - State Authorization Reciprocity Agreement (SARA) participation satisfies requirement if state where students located participate
- Rule also imposes separate requirement that student complaint process be available to students
  - Can be satisfied by SARA
  - CA problem: no SARA; no student complaint process for distance schools
Online State Auth Rules – Public Disclosures

- **Licensure and Certification**: Institution must disclose professional licensure “prerequisites” for any state that “enrolled students reside” or state where it has made such a determination
  - Must also state whether institution meets those requirements
  - If requirements are not met, institution must obtain acknowledgement from students enrolled in that program

- **State Authorization**: Must disclose whether institution is authorized to provide distance education in each state where it enrolls students

- **Student Complaints**: Must disclose method by which students in each state can file complaints

- **Adverse actions**: Must disclose any "adverse action" by state or accreditor related to distance education within past five years

- **Refund policies**: Must disclose refund policies for all states where enrolled students reside
New “Third Party Servicer (TPS)” Guidance

- “Third-party servicer” defined as any individual or entity (other than employee) that administers, through either manual or automated processing, any aspect of the institution's participation in any Title IV program. 34 C.F.R. § 668.2.
  - Institution must report TPS to ED within 10 days of contract and disclose TPS in its Program Participation Agreement
  - TPS status triggers reporting, contractual and audit obligations for institution and TPS
- August 18, 2016 Dear Colleague Letter expands coverage:
  - In addition to typical coverage, provides that outsourcing of any required consumer information (i.e., security reports required by Clery Act, graduation and transfer rates, job placement rates, gainful employment disclosures, etc.) also constitutes TPS activities
  - Also adds additional provisions not in regulation that servicer must comply with (i.e., FTC information security requirements, FERPA, and other contractual provisions)
Title IX and Related Topics

• **Multiple Laws:**
  o Title IX, Title VI (employees) Clery Act/VAWA, FERPA, applicable state laws, constitutional protections (freedom of religion, due process)

• **Crowded Field of Enforcers:**
  o US Education Department (Office of Civil Rights, Federal Student Aid), US Department of Justice, EEOC, States, Federal and State Courts

• **Religions Exemption, two criteria:**
  • “Controlled” by a religious organization
  • Title IX not consistent with religious tenants of that organization

• **2016 DOE/DOJ Dear Colleague Letter:**
  o US ED treats student’s gender identification as student’s sex for purposes of Title IX and its implementing regulations

• **California SB 1146**
  o Threatened state financial aid at faith-based institutions
HEA REAUTHORIZATION

• Higher Education Act (HEA) is up for Reauthorization
  o House and Senate have already been introducing bills to stake claims on various positions
  o Lame Duck session may see some higher ed legislation, including through appropriations process (current Continuing Resolution expires on December 9, 2016)

• Key HEA issues:
  o Accountability
  o Accreditation
  o College Affordability and Financial Aid
  o Campus Sexual Assault and Safety

• Outcome of Senate elections will determine which party controls HEA Reauthorization agenda
  o Important Republican issue is easing burden of federal regulations
Discuss Key Topics/Questions Related to:

Operational Risk Related to Price, Population and Student Financing

& The Pathway to Independence from Federal and State Aid
Student Finance and Independence Overview

- Discuss Key Topic/Questions on Operational Risks Related to Price, Population and Student Financing and the Pathway to Independence

- Review Cost and Funding Trends for Higher Education

- Discuss Performance Data on Student Loans, Limitations to that Data and Unique Recovery Mechanism only Available to Federal Government

- Discuss the handful of schools that have transitioned to independence from Federal Title IV aid

- Discuss ways to asses schools student finance programs, including possible paths to modify or add new sources of GAP funding (which can be both an alternative to discounts and a bridge to the independence path)
Declining Enrollments – Key Questions

What would be the potential impact on student finance as a result of any of the following enrollment remedies?

- Increasing use of on-line or other forms of distance education
- Expansion of student demographics to include a larger portion of independent adults
- Expansion of course offerings beyond traditional Bachelor’s and Graduate programs

Any or all of the above may materially change financial aid profile of students and increase GAP funding needs, as Dependent and Graduate students generally have more Federal and State aid available than Independent students.

A broader geographic or demographic profile may also change the socioeconomic and credit profile of students, as well as their outcomes.
Increasing Discounts – Key Questions

• What is driving the increased utilization of merits, grants and scholarships?
  • Cost sensitivities from students
  • The rising cost of education versus the supply of aid
  • The use of merits as a competitive pricing tool
  • Or some combination thereof

• What processes do schools have for review and management of these programs, including assessing the impact to overall health and profitability of the institution?

• Are these programs achieving the desired results in both enrollment and successful outcomes?

• Are there alternative sources such as unused aid or private/institutional loans that could replace some portion of these unfunded sources?
Pathways to Independence – Key Questions

• What examples exist of schools making the transition?

• What student loan performance data exists at the institutional level or industry level?

• What hurdles come with maintaining aid comparable to free sources like PELL and subsidized sources like SUB-Stafford that may create even greater capital raising needs?

• What economic headwinds would go with this transition due to private funding sources having less collection remedies than the Federal Government?
Pathways to Independence - Key Questions (cont’d)

• What would be the impact on bankruptcy discharge, 529 plans, etc. from not being an “Eligible” institution?

• Industry infrastructure – The 2007-2009 capital crisis combined with the ensuing increased regulatory environment (namely Dodd Frank) have reduced participating lenders from over 1,500 to a few dozen. Additional resources such as servicers and Guarantee Agencies with decades of experience have also exited the industry. What are the complexities caused from this decimated landscape?

• What will be the nature and source of capital under an independent model?
Cost and Funding Trends for Higher Education
Trends in Federal Student Aid

- The federal government’s support of education has generally failed to keep pace with the rising cost of education. However, in 2008 the Federal Government did respond to the national credit crisis by increasing federal aid over 40% in one year. This was the first material increase in 15 years.

- The chart below shows the maximum financial aid available to undergrad students over the last 20 years (numbers have not been adjusted for inflation)

Max Financial Aid Trend - Per Award Year

Source: Finaid.org
• At its peak in late 2007, the private student loan market issued $23 billion in loans annually

• That level has been cut by approximately 2/3 since that time, with little sign that the market will return to any levels comparable with those of the past.

Note: the increases in federal totals prior to 2009 were generally due to greater numbers of enrollees in higher education rather than increased amounts of aid per student.
Trends in the Cost of Education

- Over the last 40 years the cost of post-secondary education has risen at a pace that far exceeds inflation and all other categories of consumer spending.

- The price of higher education rose even more dramatically from the mid-2000’s to present as a result of three things: 1) first the availability of private loans, 2) the the flood of new Federal aid, and 3) the rising use of discounts and merit programs to lower prices for portions of the student body.

- The combined result have increased total student debt from approx. $350 billion in 2004 to $1.4 trillion today.
The table below displays trends in education costs for the three biggest sectors.

### TABLE 2A. Average Tuition and Fees and Room and Board in 2015 Dollars, 1975-76 to 2015-16, Selected Years

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Tuition and Fees in 2015 Dollars</th>
<th>Tuition and Fees and Room and Board in 2015 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private Nonprofit Four-Year</td>
<td>Public Four-Year</td>
</tr>
<tr>
<td>1975-76</td>
<td>$10,088 —</td>
<td>$2,387 —</td>
</tr>
<tr>
<td>1980-81</td>
<td>$10,438 3%</td>
<td>$2,320 -3%</td>
</tr>
<tr>
<td>1985-86</td>
<td>$13,551 30%</td>
<td>$2,918 26%</td>
</tr>
<tr>
<td>1990-91</td>
<td>$17,094 26%</td>
<td>$3,492 20%</td>
</tr>
<tr>
<td>1995-96</td>
<td>$19,117 12%</td>
<td>$4,399 26%</td>
</tr>
<tr>
<td>2000-01</td>
<td>$22,197 16%</td>
<td>$4,845 10%</td>
</tr>
<tr>
<td>2005-06</td>
<td>$25,624 15%</td>
<td>$6,708 38%</td>
</tr>
<tr>
<td>2010-11</td>
<td>$29,300 14%</td>
<td>$8,351 24%</td>
</tr>
<tr>
<td>2015-16</td>
<td>$32,405 11%</td>
<td>$9,410 13%</td>
</tr>
</tbody>
</table>

NOTE: Average tuition and fee prices reflect in-district charges for public two-year institutions and in-state charges for public four-year institutions.

SOURCES: The College Board, Annual Survey of Colleges; NCES, IPEDS data.

This table was prepared in October 2015.

Source: College Board
Student Lending History – Since 2007

• Capital market crisis of 2007-2009 decimated the student loan market, culminating in the nationalizing of all Federal Loan Programs in 2010

• The Private Student Loan marketplace has also been decimated
  o Increased regulatory oversight has driven most financial intuitions from this market
  o One lender, Sallie Mae, represents over half of the market, with only a handful of meaningful participants remaining
  o These super “prime” loan programs generally require substantial incomes and credit scores averaging in the mid-to-high-700’s

• Most students lack the credit history to obtain Private Student Loans without an independent adult co-signer
Federal Loan Defaults and Recoveries – Beyond Cohort Default Rates (CDR)
## CDR’s Comparisons by Types of Schools

<table>
<thead>
<tr>
<th>Type</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public, 2-3 Yrs</td>
<td>18.5%</td>
<td>19.1%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Public, 4+ Yrs</td>
<td>7.3%</td>
<td>7.6%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Public, Total</td>
<td>11.3%</td>
<td>11.7%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Non-Profit, 2-3 Yrs</td>
<td>15.3%</td>
<td>14.6%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Non-Profit, 4+ Yrs</td>
<td>6.5%</td>
<td>6.3%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Non-Profit, Total</td>
<td>7.0%</td>
<td>6.8%</td>
<td>7.2%</td>
</tr>
<tr>
<td>For-Profit, 2-3 Yrs</td>
<td>16.8%</td>
<td>17.7%</td>
<td>19.8%</td>
</tr>
<tr>
<td>For-Profit, 4+ Yrs</td>
<td>14.0%</td>
<td>14.7%</td>
<td>18.6%</td>
</tr>
<tr>
<td>For-Profit, Total</td>
<td>15.0%</td>
<td>15.8%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Foreign, Total</td>
<td>3.6%</td>
<td>3.3%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Overall</td>
<td>11.3%</td>
<td>11.8%</td>
<td>13.7%</td>
</tr>
<tr>
<td>ABACC</td>
<td>6.1%</td>
<td>5.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>CCCU</td>
<td>5.4%</td>
<td>5.4%</td>
<td>6.3%</td>
</tr>
<tr>
<td>CCCConsortium</td>
<td>3.0%</td>
<td>3.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>TRACS</td>
<td>13.0%</td>
<td>13.1%</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

Source: [http://www2.ed.gov/offices/OSFAP/defaultmanagement](http://www2.ed.gov/offices/OSFAP/defaultmanagement)
In response to the rising debt burden described earlier, the amount of entitlements for Federal loans, which allow for reduced or zero payments has skyrocketed.

As a result, only about a third of borrowers are actively paying down their loans.

**Student Loan Repayment Status in 2014**

- Delinquent or Default, 17%
- Current and Paying Down, 37%
- Current, same balance, 13%
- Current, balance increasing, 33%

Source: Page 27 of NY Fed Student Loan Borrowing and Repayment Trends, 2015
When discussing federal loan default risk the most common reference is the 2-year of 3-year unit based Cohort Default Rate (CDR).

However, other aggregated data published by ED at a sector level or by the Congressional Budget Office (CBO) at a funding source level show that the ultimate dollar defaults are multiples of the CDR rates.

### 2011 Cohort Year

<table>
<thead>
<tr>
<th></th>
<th>2-Year Unit Default %</th>
<th>Lifetime Dollar Default Rate Budget</th>
<th>2-Yr to Lifetime Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Yr Non-Profit &amp; Public</td>
<td>15.4%</td>
<td>33.8%</td>
<td></td>
</tr>
<tr>
<td>2 Yr Proprietary</td>
<td>16.7%</td>
<td>49.4%</td>
<td>2.2 to 3.0</td>
</tr>
<tr>
<td>4 Yr Institutions</td>
<td>8.6%</td>
<td>25.4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: DoE, Default Rates for Cohort Years 2007-2011 (PDF)

### 2010 Cohort Year

<table>
<thead>
<tr>
<th></th>
<th>3-Year Unit Default %</th>
<th>Lifetime Dollar Default Rate Budget</th>
<th>3-Yr to Lifetime Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Yr Non-Profit &amp; Public</td>
<td>21.5%</td>
<td>34.5%</td>
<td>1.6 to 2.1</td>
</tr>
<tr>
<td>2 Yr Proprietary</td>
<td>27.1%</td>
<td>50.0%</td>
<td></td>
</tr>
<tr>
<td>4 Yr Institutions</td>
<td>12.8%</td>
<td>26.9%</td>
<td></td>
</tr>
</tbody>
</table>

Source: DoE, Default Rates for Cohort Years 2007-2011 (PDF)

• In mid-1990’s, the Federal government reported its difficulty in collecting on student loan portfolio. At the time it was facing high defaults and only about a 60% post-default recovery.

• Since 1996, Federal government introduced various programs to increase post default recovery on student loan.
  • Changing bankruptcy dischargeability of student loans
  • Introduced Treasury Offset Program
  • Implemented administrative wage garnishment program

• With the combined effects of these programs, the post-default recovery rate has come up to over 100% of defaulted principal balance for years since then. Also of note: only the Federal government gets to add collections cost back to the amount owed on the loan.

• This comparison is important and an Independent Path will not have some or all of the remedies that doubled the Federal government's recovery.
Schools Operating Without Title IV Aid
Examples of Christian colleges no longer using Title IV Aid:
- Hillsdale College (Michigan) – approx. 1,500 students
- Grove City College (Pennsylvania) approx. 2,500 students
- Patrick Henry College (Virginia) approx. 300 students
- Pensacola Christian College (Florida) approx. 100 students

The Boards of the largest of the two schools, Hillsdale and Grove City contemplated their independence from the very inception of federal aid programs in the mid 1970’s.

Both entities had actions regarding Title IV and Title IX that ultimately were resolved by the Supreme Court.
- Hillsdale stopped accepting all Title IV aid in 1984
- Grove City stopped accepting Pell in 1984 and all other Title IV aid in 1996

Note: The information above was summarized from the February 2016 ABACC Annual Conference Presentation: “Pathways to Independence: Are We Playing a New Inning or a Whole New Ballgame?” The session was presented by Nicholas J Wallace, CPA, a Director at BKD, LLP and the info above is being used with his permission.
Ways to Assess Your School’s Student Finance Offerings
Focus on Faith, Stewardship and Action

Much of the preceding information may make of the challenges ahead, especially independence, seem overwhelming. Therefore, before discussing solutions, I think it’s key to take pause and reset our perspectives, especially in the following areas:

- **Faith** – These issues are big, but our God is bigger
- **Stewardship** – All recipients of resources, especially the students, must be good stewards in order for the next generation to benefit.
- **Action** – Assess your non-negotiable faith positions and then stake steps or implement solutions that are available
Before addressing any future strategies for Student Financing, institutions should make sure to maximize currently available programs such as:

- Federal government sponsored programs (T4) – Federal student loans, Pell Grants, Plus loans, etc.

- Private student loans currently available via big banks, Sallie Mae, College Ave, local credit unions, etc.

- Other state-sponsored loans and grant programs – Bank of North Dakota (limited availability to few states)
What to do next?

Based on the many challenges facing Christian Colleges and Universities today, along with all of the headwinds facing the Federal and Private student financing marketplace, schools should consider doing all of the following:

- Gain access to and analyze all repayment data that is available on their own students, including Federal loan data.

- Take a hard look at their student aid offerings to ensure that they align with the organization’s strategic and operational plans.

- Ensure that unfunded sources such as merits, grants and scholarships are achieving the intended/desired outcomes for both students and schools.

- Consider adding new GAP funding sources such as discounted private or institutional loans, which may not only help the financial profile of school, but can also allow a school to gain repayment data on its students that will be key to the Path to Independence.
Why review Default & Repayment Data?

- If no prior Institutional Loan programs exist, actual data on the success repayment of your student may be limited.

- Published CDR data may not correlate to actual default rates for the Institution or the repayment rates for students.

- Sponsors, Trustees, donors and/or investors will need historical data to support the viability of the transition towards independence.

- If the net yield on alternatives to Federal Aid are not adequate to cover losses, administrative cost of the replacement solutions, and the cost of capital, then net proceeds to the schools will likely be discounted versus fully funded Title IV aid received today.

- Additional resources to promote financial literacy and biblical stewardship may be needed to counter the national headwinds on loan repayments.
What Factors Influence Student Aid Funding Mix?

- No single solution works for all institutions and students.
- Design of student aid program will be heavily impacted by the following factors:
  - Enrollment capacity limitations
  - Current socio-economical/demographic mix
  - Desired or improved/changed enrollment mix
  - Current Cost of Attendance
  - Credit loads of students
  - Current Institutional grant/scholarship policy and related costs
  - Fixed vs. Variable cost of Education Services
  - Growth plans of the Institution
  - Price and Aid programs offered by major competitors
Are Merits, Grants and Scholarships Working?

Below are the type of key questions that should be considered and analyzed:

• Does the presence of a Merit (or other discounted aid sources, collectively Merits, Scholarships and Grants) increase the number of applicants that matriculate?

• Does the presence of a Merit increase the quality of the students that matriculate (measured by things such as incoming test scores and GPA) ?

• Does the presence of a Merit increase the likelihood of positive academic outcomes of students while enrolled, as well as graduation rates?

• Does the presence of a Merit correlate to better default and repayment rates of students after they leave the Institution?
How could Additional GAP Funding Options Help?

- If Federal/State aid, institutional merits/grants/scholarships, highly exclusive private loans, and cash payment plans are not sufficient, additional GAP funding options could be needed. Below are four types of GAP loan programs that could be solutions for your Institution:
  - Option 1: New or expanded Institutional loan programs
  - Option 2: Launching a new private student loan programs that are backed by the Institution, but managed externally.
    - This solution closely mirrors institutional loan economics
    - School still provides both the financial support and the loan performance guarantee for program
    - School does not have to be a “lender” as with institutional loans
  - Option 3: Launching a new private student loan program with outside investors
  - Option 4: Income Sharing Agreements – new and emerging category
Appendix: A

Bio and Areas of Expertise
Management Bios: Don King

• is a Big-4 CPA that began his career in public accounting, where he worked primarily on Real Estate, Energy, and Education clients.
• has 17 years working in a variety of roles in the post-secondary education industry, including executive level positions focused on operational and financial oversight of multi-state and multi-national educational institutions.
• has a over decade of experience in the Private Lending Industry with particular expertise in serving non-traditional students.
• serves on the Regional Board of HOPE International, a global nonprofit focused on addressing both physical and spiritual poverty through microenterprise development.
• serves as an active member of Saddleback Church, in Lake Forest, CA. Don has served in a variety of ministries, but has a particular passion for those focused on poverty alleviation.
• holds a Bachelor’s degree in Business Administration, with a concentration in Accounting, Summa Cum Laude, from the College of William & Mary.
KCG General Areas of Expertise:

- Post-Secondary Education, Financial, Operational and Regulatory Advising
- Assistance with Educational Mergers & Acquisitions (M&A) Transactions
- Education GAP Funding Consulting
- Education Loan Portfolio Advising

Corporate Finance Support:
- Treasury Operations
- Corporate Cash Management and Forecasting
- Bank Relationship Management
- Insurance and Business Risk Management
- Debt Management and Compliance
- Credit Facility Restructurings
- Ad Hoc Financial Modeling and Analysis

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Tony Guida focuses his practice on issues relating to federal and state higher education law, licensing and accreditation, mergers, acquisitions and other substantive changes; government response and crisis management, federal and state higher education policy; and government affairs. He is an experienced executive in the field of higher education.

Tony has previously served in senior executive positions with two major publicly traded companies that owned and operated colleges and universities on multiple platforms, where his responsibilities included regulatory affairs and compliance, acquisitions and divestitures, government and public affairs, policy, strategic planning, new campus development, and public relations. He has also served as CFO and general counsel for a small proprietary college. Prior to joining the higher education industry more than 15 years ago, Tony was a partner in the litigation section of a large regional law firm.

Tony currently serves on the Board of Trustees of a private non-profit university and previously served on the board of directors of a national association representing proprietary schools. He has previously served on the Advisory Committee on Student Financial Assistance, which was created by Congress to serve as an independent source of advice and counsel to Congress and the Secretary of Education on student financial aid policy.

Tony is a frequent speaker at symposia and conferences on issues relating to regulatory compliance, government enforcement actions, higher education mergers, acquisitions, and other transactions and substantive changes, licensing and accreditation, and federal and state higher education policy.

Tony is a 1986 graduate of the University of Cincinnati College of Law, where he was Student Articles Editor of the Law Review, and a magna cum laude graduate of the University of Dayton with a degree in Accounting.