



Dear Ted,

Thank you for your message regarding the continued use of federal financial responsibility scores as part of NC-SARA's evaluative process. We appreciate your feedback.

The COVID-19 pandemic has created unprecedented challenges for our nation's higher education system. Higher education leaders have been forced to transition their full programs and course offerings to distance learning in record time. Throughout this difficult time, ensuring appropriate quality measures and student consumer protections remain in place is a top priority for NC-SARA.

We have shared some practical short term information for participating institutions on our website about electronic payment, data reporting, renewals, and waiving late fees at <https://www.nc-sara.org/news-events/nc-sara-coronavirus-covid-19-responses-institution-payments-data-reporting-institution>.

Assessing institutions' financial stability is difficult, especially given the limitations of the current federal financial viability assessment. NC-SARA has repeatedly called for a review and updating of this imperfect measure, and we now reiterate that call with increased urgency. In recent days, the NC-SARA board officers, the presidents of the regional compacts, and the Executive Committee of the Board have held multiple meetings to discuss this issue. We have also reached out directly to the U.S. Department of Education to request action.

Ultimately, while we recognize the federal financial responsibility score is an imperfect indicator, it remains the only nationally-recognized tool available to monitor institutions' financial stability. Additionally, it is directly linked to institutional participation in Title IV financial aid programs which play a critical role in the financial health of many institutions. **It is also important to recognize that because the scores are based on financial data from two years prior, no impact on finances of the COVID-19 crisis will be apparent in scores until 2022.**

NC-SARA recognizes that federal financial responsibility scores from fiscal year 2020 will reflect financial damage from the COVID-19 pandemic. We will encourage states to use their discretion in making a determination about the overall financial viability of those institutions that were in good financial standing prior to the impact of the coronavirus, taking into consideration other information that is available to them as evidence of financial sustainability.

The unfortunate reality is that there remains a great deal of uncertainty around the short and long-term effects of the COVID-19 crisis, including how long institutions will be affected by

campus closures, enrollment implications, and the role of federal government stimulus packages. The confluence of these factors, while challenging, provides us with the necessary time to thoughtfully consider alternatives that will have permanent consequences for students, institutions, and states. Now more than ever, we must keep our consumer protection responsibility to students at the forefront of our decision-making.

With this in mind, NC-SARA is committed to the following:

- Supporting high-quality online instruction for students enrolled in SARA participating institutions
- Joining with others to consider improved measures of financial viability moving forward
- Assessing the likely impact of fiscal year 2020 on federal financial responsibility scores to determine whether in the context of industry-wide trends any changes in NC-SARA policy are justified
- Collecting data, particularly from our member states and collaborating with them and the regional compacts that implement SARA, to better understand the financial consequences of this crisis, and determine the best ways to measure the financial viability of participating institutions

NC-SARA would welcome an opportunity to collaborate ACE and other stakeholders to support the development of a reasonable alternative that can help reliably evaluate institutions' financial health. We feel that this would be beneficial to all those with a vested interest in these issues – students, institutions, and states – and we hope an improved assessment will be in place within the next two years before the effects of the pandemic will show in the scores.

On May 6, 2020, the NC-SARA board will meet to discuss the COVID-19 pandemic and assess the continued use of federal financial responsibility scores in the wake of the crisis. Any Board action must consider all the components of our mission – providing access to students and institutions, consumer protection, and promoting quality improvement – while also meeting the needs of member states.

I wish good health and safety to you, your family, and the families of those in your organization. As always, please do not hesitate to reach out as we continue this important conversation in the weeks and months ahead. Stay safe.

Sincerely,

A handwritten signature in blue ink that reads "Lori Williams". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lori Williams, PhD  
President and CEO  
NC-SARA

April 6, 2020