



February 24, 2016

Dr. Cindy Gnadinger, President
St. Catharine College
2735 Bardstown Road
St. Catharine, KY 40061-9499

Dear President Gnadinger:

Thank you for your correspondence dated February 10, 2016, in which you raise concerns about the Department of Education's (Department's) program review and Heightened Cash Monitoring process. I am writing to address the concerns you identified with regard to five undergraduate programs for which funds were withheld in the recent payment described in a letter from Federal Student Aid Payment Analyst Kathleen Shelton dated February 11, 2016.

St. Catharine College (SCC) expressed concern with the Department's determination that SCC was required to obtain Department approval for five bachelor degree programs that the institution enacted prior to June, 2014. Based upon further review of the information you have provided, the Kansas City School Participation Division (KCSPD) agrees that these five undergraduate degree programs are currently eligible for Title IV, HEA funds, and payments previously withheld based upon the Department's prior determination will be released promptly to SCC. The Department is continuing to review whether those five programs were eligible for the federal student aid funds that SCC disbursed to its student prior to June, 2014, and that issue will be addressed in the ongoing SCC program review.

With respect to SCC's continuing payment requests, KCSPD agrees that SCC has demonstrated that these five programs are currently accredited and have the necessary state approvals, and that the Department's approval was not required for those programs when SCC first notified the Department about them on June 30, 2014. As noted above, prior payments provided to students enrolled in those programs are being examined in the ongoing program review, and SCC will have an opportunity to review and respond to any findings on this issue in a Program Review Report, to then receive a Final Program Review Determination from the KCSPD, and to request an administrative hearing of any contested liabilities pursuant to 34 C.F.R. 668.111.

Upon review of Heightened Cash Monitoring (HCM) submissions previously provided by SCC on January 19, 2016, by letter dated February 11, 2016, KCSPD identified ten (10) students who had been rejected for payment due to their enrollment in one of these five degree programs. KCSPD will reconsider these students based on the determination above and release the portion of the rejected payments attributed to the five undergraduate programs additional funds totaling \$42,671.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

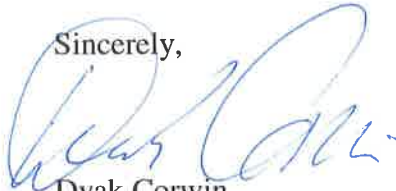
Kansas City School Participation Division
1010 Walnut, Suite 336, Kansas City, Missouri 64106-2147
www.FederalStudentAid.ed.gov

During the January 11, 2016 on-site visit at SCC, KCSPD reviewers noted that SCC had requested payment in prior HCM-2 requests for the gross Federal Direct Student Loan (FDSL) amounts rather than based on net loan amounts which exclude the loan origination fees. The SCC payment requests should have been for the net loan amounts. By requesting and being paid the total amount of the direct student loan funds, SCC was provided excess cash from each submission. SCC officials acknowledged the improper submissions had occurred which resulted in excess cash. KCSPD adjusted the payments made to SCC to resolve this matter by offsetting \$26,015 in Direct Loan funds prior to releasing the funds requested in the January 19, 2016 HCM-2 submission.

As noted above, based upon the determination that the five undergraduate programs are currently eligible, the Department is releasing additional funds from SCC's January 19 payment request totaling \$42,671, for the portion of the rejected payments that were related to those five undergraduate programs. The basis for rejecting the remaining payments is identified on a student-by-student basis in the KCSPD's letter dated February 11, 2016.

We trust that this response addresses the concerns that you raised concerning the current eligibility of the five undergraduate programs, and we look forward to working with SCC to resolve the issues related to the ongoing program review.

Sincerely,



Dvak Corwin

Compliance Manager

Kansas City School Participation Division