

U.S. Department of Education Determines Pennsylvania College of Straight Chiropractic Previously Ineligible for Student Loans

PCSC LIABLE TO U.S. DEPARTMENT OF EDUCATION FOR \$4.2 MILLION

Editorial Staff

In a decision dated February 26, 1990, from an administrative hearing between Pennsylvania College of Straight Chiropractic (PCSC) and the United States Department of Education (USDE), Walter J. Alprin, administrative law judge found that PCSC "had failed to qualify as an eligible institution from March 1981, through June 1984, and was liable to ED (USDE) for repayment of all funds it or its students had received during that period, under the financial assistance programs of Title IV of the Act, in the sum of \$3,048,706, and the sum of \$1,195,385 interest and special allowances paid by ED (USDE)."

Prior to the USDE's recognition of SCASA as an accrediting agency, non-accredited colleges utilized alternative methods of eligibility. One alternative is called the "3-I-C" method. This permits eligibility to be granted where the unaccredited institution shows that each of three accredited institutions has accepted the credits earned at the unaccredited institution "ON TRANSFER" of three students, on the same basis as it accepts, on transfer, any credits earned at accredited institutions.

This method is problematic for chiropractic colleges in that very few students transfer FROM a chiropractic college. Most of the time, students transfer TO a chiropractic college. Thus, unless a chiropractic college has nine students that are willing to transfer from that college to three accredited institutions, just to fulfill the "3-I-C" requirement, the college will not be able to qualify.

PCSC's "3-I-C" application was submitted on January 20, 1980. The three accredited institutions which accepted credits on transfer were Gwynedd-Mercy College, Spring Garden College, and Eastern College. On September 22, 1980, the application was amended by the substitution of Goldey Beacon College, in place of Eastern College.

In the fall semester of 1979, three PCSC students enrolled at Gwynedd-Mercy for a one-credit laboratory course in microbiology. Because they were not matriculating, no transfer was ever applied for. Consequently, the requirements of the "3-I-C" program were never fulfilled because PCSC credits were never accepted by Gwynedd-Mercy.

The same event took place in connection with Spring Garden College. An explanatory letter from Spring Garden stated that:

"Pennsylvania College did not qualify as an eligible institution because, under the matriculation agreement between Pennsylvania College and Spring Garden College, Spring Garden College did not accept the credits on transfer of the students that Pennsylvania listed as having transferred to Spring Garden College."

When asked what this would mean to the college, William A. Volk, D.C., president of PCSC stated:

"The Department (of Education) has often stated that they don't choose to put anyone out of business or into Chapter 11 (bankruptcy). I really believe we will come out of this as clean as we went into it."

When asked if the \$4.2 million liability would endanger the viability of the college, Dr. Volk explained:

"There is no record showing that any of the loans made to PCSC students by private institutions of lending during 1981-1984 are in default. It must be considered, therefore, that the loans are either repaid or in the process of being repaid by the student borrowers. Historically, the annual default rate on student loans at PCSC is less than five percent (5.0%). USDE has not demonstrated any form or degree of injury as a result of default of the Guaranteed Student Loan Program funds by PCSC students.

"The amount of funds in question represent totals, i.e., total amount borrowed by the students over a three year period and total amount of interest on the borrowed amount. These amounts do not consider any repayment of the loans. Since there are no defaults posted on these loans, the amounts, at best, are spurious."

Obviously, there is not a chiropractic college in the world that could write out a \$4.2 million check and still survive. It remains to be seen just how cooperative the U.S. Department of Education will be in this matter. As Dr. Volk stated, "At any rate, PCSC and USDE must work together to ameliorate any and all misunderstandings regarding this matter."

If this liability should force Pennsylvania College of Straight Chiropractic into filing Chapter 11 bankruptcy, PCSC would be the second of three SCASA colleges to do so.

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