



UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

In the Matter of

UNIVERSIDAD de CIENCIAS MÉDICAS,

Respondent.

Docket No. 04-34-SP

Federal Student Aid
Proceeding

PRCN: 200410222335

Appearances: Dr. Alvaro Apéstegui, Vice President of Academic Affairs, for Universidad de Ciencias Médicas, San José, Costa Rica.

Denise Morelli, Esq., Office of the General Counsel, United States Department of Education, Washington, D.C., for Office of Federal Student Aid.

Before: Richard F. O'Hair, Administrative Judge

DECISION

Universidad de Ciencias Médicas (Médicas) is a private, non-profit foreign medical school in San José, Costa Rica. It is also a participant in the Federal Family Education Loan (FFEL) program authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV). 20 U.S.C. § 1070 *et seq.* and 42 U.S.C. § 2751 *et seq.* The Office of Federal Student Aid (FSA), U.S. Department of Education (ED), administers this program. From November 4-6, 2003, reviewers from FSA conducted a program review of Title IV programs administered at Médicas. The findings of this review are found in the July 21, 2004 Final Program Review Determination (FPRD). Médicas exercised its right to appeal the two findings of this FPRD.

In Finding 1, FSA alleges that Médicas failed to obtain valid Student Aid Reports (SARs) or Institutional Student Information Records (ISIRs) for its students. It explains that these SARs/ISIRs are an essential component in computing a student's financial need. Among other things, these documents contain information regarding the student's Expected Family Contribution, social security number, citizenship, existing student debt under the Title IV programs, and selective service registration. In the absence of this information, Médicas would be unable to determine if the students were eligible to receive Title IV aid. When this

discrepancy was discovered, the reviewers were able to retrieve SAR/ISIR information from some of the students and from an ED student database. However, the reviewers found that 14 students were ineligible for their loans either because the reviewers were unable to locate the requisite SARs/ISIRs, or the SARs/ISIRs did not support the loan Médicas certified. Using ED's estimated actual loss formula and the school's cohort default rate, FSA assessed a liability of \$23,634 for this finding.

Médicas acknowledged that it was unaware of the necessity to specifically ask the students for the SARs/ISIRs. It explained that this occurred because it does not have a full-time employee assigned to administer the Title IV program since it is a small institution and very few of its students receive Title IV aid. Therefore, it relied upon the students to provide it with the appropriate application forms, supporting materials, and bank loan documents. When questioned, the students said they thought the school program administrator had the SARs/ISIRs, so they did not submit them with their loan package.

Educational institutions that participate in the Title IV programs have the burden of establishing that these student aid funds were properly disbursed. 34 C.F.R. § 668.116(d). To guide these institutions in their role as a fiduciary for these funds, Title IV regulations have been implemented which describe in detail the specific documentation which must be obtained and retained to support their disbursement of Title IV funds and the certification of FFEL loans. 34 C.F.R. § 668.24. Chief among these documents is the SAR/ISIR which contains critical information necessary to determine a student's eligibility. 34 C.F.R. § 690.2. In its appeal, Médicas explained the absence of these documents in some of its student files by portraying itself as a small school with too few participants in the Title IV programs to justify having a full-time, fully trained Title IV administrator. The institution relied, to its detriment, on the student applicants and lending banks to ensure that all documentation had been secured and that the students were eligible for these funds. To begin and continue participation in any Title IV program, an institution must demonstrate that it has the administrative capability to manage the Title IV programs. 34 C.F.R. § 668.16. For an institution that makes or originates loans under the FFEL programs, the institution shall employ full-time at least one person whose responsibilities are limited to the administration of financial aid programs for students attending the institution. 34 C.F.R. § 682.601(a). A foreign school is required to comply with the provisions of 34 C.F.R. Part 682, except to the extent that official ED publications or documents say otherwise. 34 C.F.R. § 682.611. Consequently, Médicas' explanation does not satisfy its burden of persuasion to show that it complied with program requirements. 34 C.F.R. § 668.116(d)(1). Accordingly, I find that Médicas must reimburse ED \$23,634 for Finding 1.

In Finding 2, FSA reviewers found that Médicas certified a \$5500 loan for a second year student, which was in excess of the \$3500 maximum for that student. Médicas accepts as students persons who have earned only a high school diploma, and enrolls them for a longer period than those with college degrees. Those with only a high school diploma are considered to be undergraduates for the first three years and this status determines the maximum subsidized student loan available to them. Médicas does not deny it certified this loan, but explains it was unaware of the specific maximum loan amount to be applied to this category of students.

The regulations prescribe the loan limits for undergraduate and graduate students. 34 C.F.R. § 682.204. For the years in question here, the maximum loan limit for undergraduate study was \$2625 for the first year, \$3500 for the second year, and \$5500 for the third and subsequent years. The loan limit was \$8500 for graduate students. 34 C.F.R. §§ 682.204(a)(2-4). Clearly, the student in question was a second year student and Médicas exceeded the \$3500 loan limit for that student without justification. Accordingly, I find Médicas must reimburse ED \$300 for the liability asserted in the FPRD.

ORDER

On the basis of the foregoing, it is hereby **ORDERED** that Universidad de Ciencias Médicas pay \$23,964 to the United States Department of Education.

Judge Richard F. O'Hair

Dated: April 4, 2005

SERVICE

A copy of the attached initial decision was sent by certified mail, return receipt requested, to the following:

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