

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

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In the Matter of

**Docket No. 98-7-SP**

**SPARTAN HEALTH SCIENCES  
UNIVERSITY SCHOOL OF MEDICINE,**  
Respondent.

Student Financial

Assistance Proceeding

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PRCN: 199540212679

Appearances:

Leigh M. Manasevit, Esq., and Karen S. Lovitch, Esq., Brustein & Manasevit, Washington, D.C., for Spartan Health Sciences University School of Medicine.

Howard D. Sorenson, Esq., Office of the General Counsel, United States Department of Education, Washington, D.C., for Student Financial Assistance Programs.

Before:

Judge Frank K. Krueger, Jr.

**DECISION**

Spartan Health Sciences University School of Medicine is a medical school located in St. Lucia, West Indies, with an administrative office in El Paso, Texas. Students attend their first four semesters in St. Lucia, then receive clinical training at hospitals located in the United States and Mexico. In 1989, Spartan began participation in the Federal Family Education Loan (FFEL) program under Title IV of the Higher Education Act of 1965, as amended. Spartan students received FFELs until 1997. In 1996, approximately 65 percent of Spartan's student body received FFELs.

The Student Financial Assistance Programs (SFAP), U.S. Department of Education, conducted a program review at Spartan's administrative office on August 28 through 31, 1995, and in St. Lucia on May 13 and 14, 1996. SFAP reviewed thirty-four student files from the 1991-92, 1992-93, 1993-94 and 1994-95 award years and issued its program review report on July 31, 1996. The report required Spartan to conduct full-file reviews for the award years in question, as well as for the 1990-91 award year. In response, Spartan provided documentation sufficient to dispose of nine of the fourteen findings contained in the report.

On November 19, 1997, SFAP issued its final program review determination which assessed liability at \$410,189. On January 12, 1998, Spartan appealed the final program review determination. [See footnote 1<sup>1</sup>](#) Although Spartan requested oral argument in both its initial and reply briefs, it later withdrew its request.

In its appeal, Spartan raises the following contentions:

A. SFAP erroneously calculated its liability under the estimated loss formula.

B. Spartan cannot be assessed liability beyond the five-year record retention requirement of 34 C.F.R. § 668.610(d) (1996).

C. SFAP is wrong in its finding that, prior to 1993, resident aliens were ineligible for FFELs while enrolled in foreign schools.

D. Spartan's remaining liability should be dismissed as it has provided the required student loan documentation concerning the Immigration and Naturalization Service (INS), financial aid transcripts, Selective Service registration, and need analysis calculations.

As discussed below, I find in part in favor of Spartan on issue A, but against Spartan on issues B, C, and D.

## DISCUSSION

### A.

In the final program review determination, rather than requiring that Spartan repurchase the FFELs which SFAP contends were not authorized, using the estimated loss formula and the school's most recent cohort default rate of 10.8 percent (1995), SFAP estimated the Department's loss at \$410,189. [See footnote 2<sup>2</sup>](#) Spartan argues that, rather than using the most recent cohort default rate in the calculation, SFAP should have used the rate that corresponds to the year under review. [See footnote 3<sup>3</sup>](#) SFAP argues that it has the discretion as to which rate to use, and the use of the rates that correspond to the years under review, rather than the most recent rate, would yield only a marginal difference in liability. SFAP's arguments are unpersuasive.

SFAP's own internal policies state that it should use the cohort default rate for the period under review whenever possible. Exhibit R-4, at 2; *see also Christian Brothers Univ.*, 123 Ed. Law Rep. 1328, 1332 (1997). To ensure fairness towards all participating institutions and to avoid any possible arbitrariness in assessing liability, SFAP should follow its own policies. In addition, using the cohort default rates corresponding to the years in question, rather than using the most recent rate for all of the years in question, will provide a more accurate estimate of any actual loss to the Department. [See footnote 4<sup>4</sup>](#) Even if, as SFAP contends, using a corresponding year analysis will result in only a “marginal” reduction, the assessment of liability should be as accurate as possible.

Spartan also argues that SFAP should use the exact tally of the number of days from disbursement to the issuance of the program review to calculate Federal subsidies and interest. This argument is premised on a Department memorandum in which it is recommended that an exact tally should be used for repurchased loans. R-4 at 5. SFAP is correct in pointing out that Spartan is not repurchasing loans, but is instead having its liability estimated using its cohort default rates. Thus, SFAP did not err in using the average number of days from disbursement to repayment in calculating Federal subsidies and interest.

### B.

As noted above, SFAP's on-site review was limited to the 1991-92 through 1994-95 award years. However, when SFAP issued its program review report on July 31, 1996, it required Spartan to conduct full-file reviews of the 1990-91 award year, as well as the 1991-92 through 1994-95 award years. Under 34 C.F.R. § 682.610(d) (1996), Spartan was required to maintain its records for a period of five years following the last day of attendance for the students covered by the records. Spartan argues that its obligation to maintain the 1990-91 records ended on June 30, 1996, five years after the latest date a student could have ceased attendance during the 1990-91 award year. In other words, SFAP requested the full-file review thirty-one days too late. Spartan does not contend that it did not have the records in question. In fact, Spartan conducted the required full-file review of the 1990-91 award year and identified additional liability. However, it argues that it is unfair and inequitable for SFAP to assess liability based on the 1990-91 award year.

I do not agree with Spartan's position. The five-year record retention requirement contained in 34 C.F.R. § 682.610(d)

is not a statute of limitations. *Cf. Belzer Yeshiva*, 122 Ed. Law Rep. 1344 (1996). In fact, there appears to be no statute of limitations that applies to the recovery of misspent funds in a Title IV program review. *See City University of New York on Behalf of Laguardia Community College*, Docket No. 93-3-0, U.S. Dept. of Educ. (March 30, 1994) (dealing with SFAP program review determination); *cf. Platt Junior College*, 75 Ed. Law Rep. (1991) (dealing with SFAP audit determination). Thus, SFAP was legally entitled to assess liability for the 1990-91 award years even though Spartan may not have been required to maintain its 1990-91 records beyond June 30, 1996. Nor can it be considered unfair that SFAP seeks to recover misspent funds after the expiration of the five-year retention period. If, in fact, Spartan awarded unauthorized loans during the 1990-91 award year, it cannot be considered unfair or inequitable for SFAP to seek recovery of the costs of guaranteeing the unauthorized loans.

### C.

The largest liability assessed by SFAP concerned Spartan's practice of certifying students as eligible for FFELs if they were permanent resident aliens of the United States. Prior to the 1992-93 award year, in order to qualify for an FFEL while attending a foreign school, one had to be a citizen or national of the United States. *See* 34 C.F.R. § 682.201(c)(2) (1992). Spartan argues that SFAP equated the term "citizen" with "national," but that "national" can be someone other than a "citizen." Given the breadth of the term "national," Spartan argues that the regulations permitted its certification of resident aliens as eligible for FFELs. Although the term "citizens" may not be synonymous with "national," it is clear under the regulations that a permanent resident alien was not eligible for FFELs to attend a foreign school prior to the 1992- 93 award year. Thus, SFAP's conclusion that Spartan incorrectly authorized FFELs to permanent resident aliens is upheld.

The regulations provided that a student enrolled in a foreign school was eligible to receive an FFEL if the student was "a national of the United States." *See* 34 C.F.R. § 682.201(c)(2) (1992). A "national of the United States" was defined as follows:

- (1) A citizen of the United States; or
- (2) As defined in the Immigration and Nationality Act, 8 U.S.C. 1101(a)(22), a person who, though not a citizen of the United States, owes permanent allegiance to the United States.

34 C.F.R. § 682.200(b) (1992).

The *Federal Student Financial Aid Handbook*, 1990-91 edition, pp. 2-3 and 2-83, published by the U.S. Department of Education, defines a national of the United States as either a U.S. citizen or a citizen of American Samoa or Swain's Island. The *Handbook* goes on to note that all U.S. citizens and permanent residents of the U.S. are eligible for Federal student assistance within the U.S., but only U.S. citizens and noncitizen nationals are eligible for student assistance to attend foreign schools. *Id.* at 2-4.

The Department's interpretation of the term "national" is consistent with analogous case law. In *Oliver v. United States Dept. of Justice, I & N. Serv.*, 517 F.2d 426 (2d Cir. 1975), the appellant, a permanent resident alien of the United States, argued that she was not subject to deportation under the Immigration and Nationality Act. The Immigration and Nationality Act defined "alien" as "one who is not a citizen or national of the United States." A "national" was defined as "(A) a citizen of the United States, or (B) a person who, though not a citizen of the United States, owes permanent allegiance to the United States." Appellant argued that she was a national since she had sworn permanent allegiance to the United States and, as such, was not subject to deportation under the Immigration and Nationality Act. The court rejected the argument, holding that one can satisfy the requirement of permanent allegiance to the United States only through birth or becoming a naturalized citizen. The court, in quoting from 3 Gordon & Rosenfield, *Immigration Law and Procedure* § 11.3b, at 11-8, 11-9 to 11-10 (1975), explained as follows:

The term nationals came into use in this country when the United States acquired territories outside its continental limits whose inhabitants were not at

first given full political equality with citizens. Yet they were deemed to owe permanent allegiance to the United States and were entitled to our country's protection. The term national was used to include those noncitizens in the larger group of persons who belonged to the national community and were not regarded as aliens.

\* \* \*

In the early years of the Twentieth Century, the distinction between citizens and noncitizen nationals was an important one. Many of our insular possessions were not regarded as fully incorporated into the United States and their inhabitants were not accorded full rights of citizenship. With the grant of independence to the Phillipines, and the gradual extension of citizenship rights to the indigenous inhabitants of other insular possessions, the distinction between citizenship and noncitizen nationality has become less significant.

517 F.2d at 427, n. 3. *See also Scholz v. Shaughnessy*, 180 F.2d 450 (2d Cir. 1950) (the term “national of the United States” does not include “alien” under the Immigration and Nationality Act); *Matter of Tuitasi*, 15 I. & N. Dec. 102 (Sept. 26, 1974) (permanent residents of the U.S. cannot become nationals by asserting allegiance to the U.S.); *Matter of Ah San*, 15 I. & N. Dec. 315 (May 13, 1975) and *Matter of B - - -*, 6 I. & N. Dec. 555 (April 7, 1955) (distinguishing between “permanent resident” or “alien” and “national”); *cf. Yuen v. Internal Revenue Service*, 649 F.2d 163 (2d Cir. 1981) (resident alien cannot become a national for purpose of securing employment with U.S. government by pledging allegiance to the U.S.).

Spartan also argues that it submitted adequate documentation to establish eligibility for fourteen students during the 1992-93 award year. This argument is based on the term “national” being removed as a requirement from the Federal Register as of February 1, 1993. *See 57 Fed. Reg.* 60280, 60280-82 (Dec. 18, 1992). As evidence of this eligibility, Spartan presented a list naming the students who were certified after February 1, 1993. However, this list has no evidentiary value, but is merely self-serving hearsay. Spartan should have produced the actual documents that establish eligibility. Even if Spartan did not have the information at the time of the program review, it had the opportunity to supplement the record. At the very least, it could have submitted a sworn declaration by a school official attesting to the aforementioned list as true and explaining the methodology used to compile the list. Thus, I affirm SFAP's assessment of liability for all fourteen students.

D.

Spartan finally asserts that it provided proper documentation to eliminate all or most liability for findings three, four, five, and seven. In finding three, SFAP held Spartan liable for failure to obtain confirmation from the Immigration and Naturalization Service (INS) of eligible non-citizen status for four students during the 1993-94 and 1994-95 award years. Spartan asserts that after SFAP issued its final review report, the school presented documentation establishing regulatory compliance. SFAP argues that the INS confirmations are insufficient in that none of the four students show that they were eligible for all of the years in review, but only one of the years in question. SFAP's argument is persuasive.

Although student #15 was confirmed as a “Lawful Permanent Resident” by INS as of July 11, 1997, this does not prove that he was eligible for the 1993-94 and 1994-95 years in review. Spartan provided certification of student #8's naturalization, dated July 7, 1994. This document is also insufficient in establishing confirmation from INS that the student was an eligible noncitizen during the 1993-94 award year. On behalf of student #26, Spartan submitted a student

aid report from the 1995-96 award year. However, SFAP is correct in noting that this is insufficient to establish that he had INS confirmation for the 1994-95 award year. Student #10's July 11, 1997, confirmation from INS that he was a naturalized citizen is also insufficient in establishing his eligibility for the 1993-94 and 1994-95 years. Consequently, Spartan's liability under finding three is upheld.

Spartan argues that all of its liability under finding four should be dismissed because of the documents it provided. Finding four was based on Spartan's failure to obtain financial aid transcripts for four students in the 1990-91, 1991-92, and 1993-94 award years. [See footnote 5<sup>5</sup>](#) SFAP argues that Spartan has changed its position several times in regards to whether it did or did not have the transcripts. As a result, this tribunal should reject this new version of events as unreliable. SFAP further asserts that even if this tribunal were to entertain Spartan's argument, the documents it presents are insufficient to support its position.

Under 34 C.F.R. § 668.19(a)(2)(i) (1997), a school must request a financial aid transcript from each eligible institution the student attended. SFAP is correct in asserting that Spartan did not provide sufficient documentation to demonstrate that the schools listed were the only institutions attended. Given Spartan's confusion over whether it had any transcripts for these students, it cannot be assumed that the institutions listed on the financial aid transcripts were the only institutions attended by these students. Even if the necessary documents were not readily available, Spartan could have certified in a sworn declaration that the transcripts included all the schools the students attended. Thus, even if this tribunal were to consider the evidence in a light most favorable to Spartan, the documentation is still insufficient to absolve it of liability. Spartan's liability under finding four is affirmed.

In finding five, SFAP asserts that Spartan is liable for failing to verify that two students were registered with the Selective Service System. [See footnote 6<sup>6</sup>](#) Since Spartan provided no evidence refuting SFAP's finding for one student, this tribunal will only consider its claim concerning the other student. Spartan argues that since the student was born before 1960, and was not required to register with Selective Service, his transcript is sufficient evidence of his date of birth. Under 34 C.F.R. § 668.33(b) (1994), an institution may waive the Selective Service requirement if the institution determines through *clear and unambiguous* evidence that the student is not required to be registered. Spartan failed to introduce any evidence showing how the age on the transcript was ascertained. Credible evidence, such as a birth certificate, driver's license, or identification card, could have been provided by Spartan to establish the student's age. Since Spartan failed to provide such documentation, it is liable for the two students in finding five.

In response to finding seven, Spartan asserts that the documents it provided satisfy the need analysis requirement under 34 C.F.R. §§ 668.7(a)(10) (1994). However, SFAP is correct in pointing out that none of the student aid reports correspond to the years in question. [See footnote 7<sup>7</sup>](#) Spartan provided a student aid report for student #1 for the 1992-93 award year, but not for the 1991-92 award year. Although Spartan was required to conduct a need analysis for student #23 for the 1993-94 award year, it only conducted one for the 1992-93 and 1994-95 award years. Similarly, Spartan was required to conduct a need analysis for student #27 for the 1994-95 award year, but only provided student aid reports for 1993-94 and 1995-96. Student #30 was required to have a need analysis conducted for the 1994-95 award year, but Spartan also neglected to provide documentation reflecting this. Finally, student #22 incorrectly provided his undergraduate student aid report instead of his graduate report. Thus, Spartan's liability under finding seven is upheld.

## ORDER

Based on the above findings and conclusions, it is hereby ordered that Respondent pay the United States Department of Education \$387,257. [See footnote 8<sup>8</sup>](#)

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Frank K. Krueger, Jr.  
Administrative Judge

Dated: July 16, 1998

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[Footnote: 1](#) <sup>1</sup> On March 19, 1998, Spartan filed a motion to supplement the record with documentation not provided to SFAP at the time it filed its appeal. This motion is granted. See *Baytown Technical School, Inc.*, 108 Ed. Law Rep. 1474 (1994) (holding that, in the interest of fairness, the tribunal may allow the record to be supplemented with material not initially presented to SFAP).

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[Footnote: 2](#) <sup>2</sup> The estimated loss formula approximates the loss to the Department which will result when unauthorized loans go into default. Under the formula, an institution's cohort default rate is multiplied by the total of ineligible loans disbursed during a given award year to yield an estimated expenditure which the Department will have to pay lenders on defaulted loans. This estimate is added to the estimated loan subsidies and interest paid by the Department on the unauthorized loans.

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[Footnote: 3](#) <sup>3</sup> The 1991 cohort default rate is 5.6%.  
The 1992 cohort default rate is 16.7%.  
The 1993 cohort default rate is 8.6%.  
The 1994 cohort default rate is 6.5%.

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[Footnote: 4](#) <sup>4</sup> Since the cohort default rate is calculated for fiscal years, which run from October 1 through September 30 (see 34 C.F.R. § 668.17(d)(1) (1997)), whereas the program review dealt with award years, which run from July 1 through June 30, there is no cohort default rate which corresponds precisely to the award years at issue. However, use of the cohort default rates for fiscal years 1991 through 1994 will provide a more accurate estimate of the Department's potential loss than the use of the cohort default rate for fiscal year 1995, since those fiscal years more closely approximate the time periods covered by the program review.

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[Footnote: 5](#) <sup>5</sup> Finding four actually dealt with five students, but SFAP, in its brief, accepted the documentation proffered for one of the students. This reduction is reflected in the liability calculation in the Appendix to this decision.

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[Footnote: 6](#) <sup>6</sup> Finding five actually dealt with six students, but SFAP, in its brief, accepted the documentation proffered for four of the students. Again, this reduction is reflected in the liability calculation in the Appendix.

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[Footnote: 7](#) <sup>7</sup> Spartan never addressed findings three, four, five, and seven in its response brief.

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[Footnote: 8](#) <sup>8</sup> See Appendix for calculations

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## APPENDIX

Following *Christian Brothers Univ.*, 123 Ed. Law. Rep. 1328 (1997), in calculating the estimated loss, the tribunal relied upon the best available evidence: the liability assessed in the amounts stated in the FPRD and SFAP's Estimated Loss Worksheet submitted on March 19, 1998.

The following tables illustrate each step in the estimated actual loss calculation. [See footnote 1](#)<sup>1</sup> In Step 2, the institution's cohort default rate is multiplied against the total amount of ineligible Stafford and SLS loans disbursed during the period at issue. This calculation yields the estimated loss in Title IV disbursements resulting from students defaulting on repayment of an ineligible loan. In Step 3, the amount of ineligible Stafford loans is multiplied against the daily ISA factor determined by SFAP. [See footnote 2](#)<sup>2</sup> This number is multiplied against the average number of days the Department paid loan subsidies to lenders (from disbursement to repayment for 4-year public and private institutions). This calculation is similarly used in Steps 4a and 4b to determine the special allowance amounts paid to lenders by the Department. Under Step 5, the amounts indicated in the last column of each table are added together to yield the institution's total estimated loss liability.

1990-91

Step 2: Estimated Defaults

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<b>FFEL Loan Liabilities</b>	<b>Amount of Ineligible Loans</b>	<b>Cohort Default Rate</b>	<b>Estimated Loss from Defaults</b>
Stafford loans	\$152,300	5.6%	\$8,529
SLS, Unsubsidized Stafford loans, and PLUS loans	\$78,000	5.6%	\$4,368

## Step 3: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Subsidy</b>
\$152,300	.000247	969	\$36,452

## Step 4a: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Cohort Default Rate</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Allowances</b>
\$152,300	5.6%	.0000273	619	\$144

## Step 4b: Estimated Special Allowances Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans Minus Estimated Loss in Step 2</b>	<b>One-half the Result of the Previous Column</b>	<b>Daily Special Allowance Factor</b>	<b>Average Number of Days</b>	<b>Total Allowance</b>
\$143,771	\$71,886	.0000273	1712	\$3,360

## Step 5: Total Estimated Loss Liability

<b>Estimated Loss</b>	<b>Subsidies Paid</b>	<b>Special Allowances</b>	<b>PIF</b>	<b>Total Estimated Loss Liability</b>
\$12,897	\$36,452	\$144	\$3,360	\$52,853

1991-92

## Step 2: Estimated Defaults

<b>FFEL Loan Liabilities</b>	<b>Amount of Ineligible Loans</b>	<b>Cohort Default Rate</b>	<b>Estimated Loss from Defaults</b>
Stafford loans	\$280,255	16.7%	\$46,803
SLS, Unsubsidized Stafford loans, and PLUS loans	\$133,700	16.7%	\$22,328

## Step 3: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Subsidy</b>
\$280,255	.000247	969	\$67,077

## Step 4a: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Cohort Default Rate</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Allowances</b>
\$280,255	16.7%	.0000273	619	\$791

Step 4b: Estimated Special Allowances Paid to Lenders from Disbursement to Repayment

Ineligible Subsidized Stafford Loans Minus Estimated Loss in Step 2	One-half the Result of the Previous Column	Daily Special Allowance Factor	Average Number of Days	Total Allowance
\$233,452	\$116,726	.0000273	1712	\$5,455

Step 5: Total Estimated Loss Liability

Estimated Loss	Subsidies Paid	Special Allowances	PIF	Total Estimated Loss Liability
\$69,131	\$67,077	\$791	\$5,455	\$142,454

1992-93 [See footnote 3<sup>3</sup>](#)

Step 2: Estimated Defaults

FFEL Loan Liabilities	Amount of Ineligible Loans	Cohort Default Rate	Estimated Loss from Defaults
Stafford loans	\$389,328	8.6%	\$33,482
SLS, Unsubsidized Stafford loans, and PLUS loans	\$195,000	8.6%	\$16,770

Step 3: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

Ineligible Subsidized Stafford Loans	Daily ISA Factor	Average Number of Days	Total Subsidy
\$389,328	.000247	969	\$93,183

Step 4a: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

Ineligible Subsidized Stafford Loans	Cohort Default Rate	Daily ISA Factor	Average Number of Days	Total Allowances
\$389,328	8.6%	.0000273	619	\$566

Step 4b: Estimated Special Allowances Paid to Lenders from Disbursement to Repayment

Ineligible Subsidized Stafford Loans Minus Estimated Loss in Step 2	One-half the Result of the Previous Column	Daily Special Allowance Factor	Average Number of Days	Total Allowance
\$355,846	\$177,923	.0000273	1712	\$8316

Step 5: Total Estimated Loss Liability

Estimated Loss	Subsidies Paid	Special Allowances	PIF	Total Estimated Loss Liability
\$50,252	\$93,183	\$566	\$8,316	\$152,317

1993-94 [See footnote 4<sup>4</sup>](#)

Step 2: Estimated Defaults

FFEL Loan Liabilities	Amount of Ineligible	Cohort Default	Estimated Loss from
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	<b>Loans</b>	<b>Rate</b>	<b>Defaults</b>
Stafford loans	\$33,500	6.5%	\$2,178
SLS, Unsubsidized Stafford loans, and PLUS loans	\$30,000	6.5%	\$1,950

Step 3: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Subsidy</b>
\$33,500	.000247	969	\$8,018

Step 4a: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Cohort Default Rate</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Allowances</b>
\$33,500	6.5%	.0000273	619	\$37

Step 4b: Estimated Special Allowances Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans Minus Estimated Loss in Step 2</b>	<b>One-half the Result of the Previous Column</b>	<b>Daily Special Allowance Factor</b>	<b>Average Number of Days</b>	<b>Total Allowance</b>
\$31,322	\$15,661	.0000273	1712	\$732

Step 5: Total Estimated Loss Liability

<b>Estimated Loss</b>	<b>Subsidies Paid</b>	<b>Special Allowances</b>	<b>PIF</b>	<b>Total Estimated Loss Liability</b>
\$4,128	\$8,018	\$37	\$732	\$12,915

1994-95

Step 2: Estimated Defaults

<b>FFEL Loan Liabilities</b>	<b>Amount of Ineligible Loans</b>	<b>Cohort Default Rate</b>	<b>Estimated Loss from Defaults</b>
Stafford loans	\$59,000	10.8%	\$6,372
SLS, Unsubsidized Stafford loans, and PLUS loans	\$45,250	10.8%	\$4,887

Step 3: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Subsidy</b>
\$59,000	.000247	969	\$14,121

Step 4a: Estimated Subsidies Paid to Lenders from Disbursement to Repayment

<b>Ineligible Subsidized Stafford Loans</b>	<b>Cohort Default Rate</b>	<b>Daily ISA Factor</b>	<b>Average Number of Days</b>	<b>Total Allowances</b>
\$59,000	10.8%	.0000273	619	\$108

Step 4b: Estimated Special Allowances Paid to Lenders from Disbursement to Repayment

Ineligible Subsidized Stafford Loans Minus Estimated Loss in Step 2	One-half the Result of the Previous Column	Daily Special Allowance Factor	Average Number of Days	Total Allowance
\$52,628	\$26,314	.0000273	1712	\$1,230

Step 5: Total Estimated Loss Liability

Estimated Loss	Subsidies Paid	Special Allowances	PIF	Total Estimated Loss Liability
\$11,259	\$14,121	\$108	\$1,230	\$26,718

**TOTAL LIABILITY**

1990-91	1991-92	1992-93	1993-94	1994-95	Total
\$52,853	\$142,454	\$152,317	\$12,915	\$26,718	\$387,257

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*Footnote: 1* <sup>1</sup> Step 1 of the Estimated Loss worksheet is not being done because this is not a case where a sampling error needs to be extrapolated to a universe of loans.

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*Footnote: 2* <sup>2</sup> The Interest and Special Allowance (ISA) payments are not applicable to the SLS loan program. For purposes of the estimated loss formula, unsubsidized Stafford loans and PLUS loans are treated as SLS loans.

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*Footnote: 3* <sup>3</sup> The Stafford and SLS liabilities reflect a reduction of \$15,000 and \$8,000, respectively, based upon SFAP's acceptance of Spartan's supplemental documentation for student # 7 under finding four.

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*Footnote: 4* <sup>4</sup> The Stafford and SLS numbers reflect SFAP's concession that liability should be reduced for four of the six students under finding five.

SERVICE

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

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