How to get a Letter of Credit or Surety Bond

Out-of-State: public degree granting institutions have a maximum bond amount of $25,000.

> **OAR 583-030-0056 (1)(c):** For a non-Oregon publicly owned school, the rolling annual average of prepaid tuition is the gross tuition income received from all Oregon enrolled students from the previous year divided by 4, or $25,000 whichever is less. At the discretion of the Commission, the tuition income of non-Oregon based enrolled students may be part of the calculation of the rolling average.

Instructions: For In-State Degree Granting Institutions and Out-of-State Degree Granting Institutions to Obtain a Surety Bond or LOC are below:

Operating More than One Year in Oregon

Has the school operated one year or more in Oregon? (this includes exempt/excluded and authorized/approved institutions)

ANSWER 1: If the answer is yes.

Step 1: Calculate the institution's unearned tuition based on last year's total tuition for Oregon residents.

Step 2: Divide the total tuition by the number of terms and then divide that amount by two.

NOTE: Send documentation to the agency attesting to the unearned tuition by attaching supporting documentation. (Example: Audited financial statements and corresponding Oregon revenue)

> **OAR 583-030-0056(1)(a):** For a school that has operated in Oregon for one year or more, the rolling annual average of prepaid tuition is defined as half of the average of unearned tuition at the start of each term when tuition is due. Schools shall average the unearned tuition at the beginning of each semester or quarter for the prior year which academic credit hours were awarded and/or authorized, and divided by two. At the discretion of the Commission the tuition income of non-Oregon based enrolled students may be part of the calculation of the rolling average. "Unearned tuition" is as is described in OAR 583-030-0035(18)(a).

Step 3: Has the institution received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the last five consecutive years?

If the answer is yes, the school may qualify for a 75 discount on their surety bond.

> **OAR 583-030-0056(2)(b)** A school may receive a reduction in the amount of its bond or letter of credit up to 75 percent of its rolling annual average of prepaid tuition if it demonstrates to the Commission's satisfaction that it:
>
> (A) Has received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the last five consecutive years;
> (B) Has not been sanctioned in the last five years, is not at risk, probation, suspension or revocation by the Commission or its institutional accreditor;
> (C) Is not under investigation by the United States Department of Education or any other federal agency for violation that could result in loss of Title IV aid privileges and does not otherwise have any restrictions or warning pertaining to its eligibility for federal programs;

(D) Is not under review for potential probation, suspension or revocation of its operational or degree-granting authority by any state; or
(E) It has an Oregon campus that does not participate in Federal Financial Aid, and meets the requirements set forth above in OAR 583-030-0056(2)(b)(A) through OAR 583-030-0056(2)(b)(D). The school has established a stable operation for the last five years, and demonstrates in its financial planning and audited financial statements that it has dedicated cash reserves for refunds, and demonstrates the capacity to refund unearned tuition.

Send copies of the financial responsibility composite score of 1.5 or greater and show documentation for all five years.

Step 4: If the school cannot provide a financial responsibility score of five years or more; but can provide financial responsibility score of 1.5 for two years or more, the following discount may apply:

Has the institution received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the last two consecutive years?

If the answer is yes, then the institution may qualify for a 50 percent discount on their surety bond.

OAR 583-030-0056(2)(a) A school may receive a reduction in the amount of its bond or letter of credit up to 50 percent of its rolling annual average of prepaid tuition if it demonstrates to the Commission's satisfaction that it:

(A) Has received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the last two consecutive years;
(B) Has not been sanctioned in the last two years, is not at risk, probation, suspension, or revocation by the Commission or its institutional accreditor;
(C) Is not under investigation by the United States Department of Education or any other federal agency for a violation that could result in loss of Title IV aid privileges and does not otherwise have any restrictions or warning pertaining to its eligibility for federal programs;
(D) Is not under review for potential probation, suspension or revocation of its operational or degree-granting authority by any state; or
(E) It has an Oregon campus that does not participate in Federal Financial Aid, and meets the requirements set forth above in OAR 583-030-0056(2)(a)(A) through OAR 583-030-0056(2)(a)(D). The school has established a stable operation for the last two years, and demonstrates in its financial planning and audited financial statements that it has dedicated cash reserves for refunds, and demonstrates the capacity to refund unearned tuition.

Send copies of the financial responsibility composite score of 1.5 or greater and show documentation for both years.

Operating Less than 1 year in Oregon

Has the school operated less than one year in Oregon? (this includes exempt/excluded and authorized/approved institutions)

Answer 2: If the answer is Yes.

Please use the guidelines below to calculate your bond/LOC amount. For institutions operating in Oregon less than one year, the required minimum surety bond is $25,000. If the below discounts reduce the bond amount below $25,000 the institution needs to submit a minimum of $25,000 surety bond or Letter of Credit (LOC).

The Office of Degree Authorization will notify you of any discrepancies or the need for any additional information.

Step 1: Calculate the institution's unearned tuition based on last year's total tuition for Oregon residents.

Step 2: Divide the total tuition by the number of terms.

NOTE: Send documentation to the agency attesting to the unearned tuition by attaching supporting documentation. (Example: Audited financial statements and corresponding Oregon revenue)

> **OAR 583-030-0056 (1)(b)** For a school that has operated in Oregon for less than one year, the rolling annual average of prepaid tuition will be a reasonable amount established at the director's discretion based on the school's financial projections and estimate of the rolling average of Oregon enrollment and tuition income during the first year of operation, or $25,000 whichever is greater. At the discretion of the Commission, the tuition income of non-Oregon based enrolled students may be part of the calculation of the rolling average.

Step 3: Has the institution received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the **last five consecutive years?**

If the answer is yes, the institution may qualify for a 75 discount on their surety bond.

> **OAR 583-030-0056(2)(b)** A school may receive a reduction in the amount of its bond or letter of credit up to 75 percent of its rolling annual average of prepaid tuition if it demonstrates to the Commission's satisfaction that it:

(A) Has received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the last five consecutive years;
(B) Has not been sanctioned in the last five years, is not at risk, probation, suspension or revocation by the Commission or its institutional accreditor;
(C) Is not under investigation by the United States Department of Education or any other federal agency for a violation that could result in loss of Title IV aid privileges and does not otherwise have any restrictions or warning pertaining to its eligibility for federal programs;
(D) Is not under review for potential probation, suspension or revocation of its operational or degree-granting authority by any state; or
(E) It has an Oregon campus that does not participate in Federal Financial Aid, and meets the requirements set forth above in OAR 583-030-0056(2)(b)(A) through OAR 583-0300056(2)(b)(D). The school has established a stable operation for the last five years, and demonstrates in its financial planning and audited financial statements that it has dedicated cash reserves for refunds, and demonstrates the capacity to refund unearned tuition.

Please send a copy of the financial responsibility composite score of 1.5 or greater and show documentation for all five years.

STEP 4: If the school cannot provide a financial responsibility score of 5 years or more, but can provide a financial responsibility score of 1.5 for 2 years or more, the following discount may apply:

Has the institution received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the last two consecutive years?

If the answer is yes, then the institution may qualify for a 50 percent discount on their surety bond.

OAR 583-030-0056(2)(a) A school may receive a reduction in the amount of its bond or letter of credit up to 50 percent of its rolling annual average of prepaid tuition if it demonstrates to the Commission's satisfaction that it:

(A) Has received a United States Department of Education, Federal Financial Aid, financial responsibility composite score of 1.5 or greater for the last two consecutive years;
(B) Has not been sanctioned in the last two years, is not at risk, probation, suspension or revocation by the Commission or its institutional accreditor;
(C) Is not under investigation by the United States Department of Education or any other federal agency for a violation that could result in loss of Title IV aid privileges and does not otherwise have any restrictions or warning pertaining to its eligibility for federal programs;
(D) Is not under review for potential probation, suspension or revocation of its operational or degree granting authority by any state; or
(E) It has an Oregon campus that does not participate in Federal Financial Aid, and meets the requirements set forth above in OAR 583-030-0056(2)(a)(A) through OAR 583-030-0056(2)(a)(D). The school has established a stable operation for the last two years, and demonstrates in its financial planning and audited financial statements that it has dedicated cash reserves for refunds, and demonstrates the capacity to refund unearned tuition.

Please send a copy of the financial responsibility composite score of 1.5 or greater and show documentation for both years.

STEP 5: For institutions operating in Oregon less than 1 year, the required minimum surety bond is $25,000. If the above discounts reduce the bond amount below $25,000 the institution needs to submit a minimum of $25,000 surety bond or Letter of Credit (LOC).