Department of Education

HISTORICALLY BLACK COLLEGE AND UNIVERSITY CAPITAL FINANCING PROGRAM ACCOUNT

Fiscal Year 2009 Budget Request

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HISTORICALLY BLACK COLLEGE AND UNIVERSITY
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Notwithstanding the limitations contained in section 344(a) of the Higher Education Act of 1965, the aggregate principal amount of outstanding bonds insured under the Historically Black College and University Capital Financing Program is authorized to equal but not exceed $725,000,000,[1] which may be used for loans to public and private historically Black colleges and universities without regard to paragraphs (1) and (2) of section 344(a).[2]

For the cost of guaranteed loans, $10,000,000, as authorized pursuant to title III, Part D of the Higher Education Act of 1965:[3] *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed $100,000,000.[4] In addition, for administrative expenses to carry out the Historically Black College and University Capital Financing Program entered into pursuant to title III, part D of the Higher Education Act of 1965, as amended, [$188,000] $354,000.[5] (*Department of Education Appropriations Act, 2008)*

Note.--Each language provision that is followed by a footnote reference is explained in the Analysis of Language Provisions and Changes document which follows the appropriation language.

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Analysis of Language Provisions and Changes

Language Provision	Explanation
[1] Notwithstanding the limitations contained in section 344(a) of the Higher Education Act of 1965, the aggregate principal amount of outstanding bonds insured under the Historically Black College and University Capital Financing Program is authorized to equal but not exceed $725,000,000 …	The requested language increases the total limit on bonds insured under the HBCU Capital Financing program authorized under title III, part D of the Higher Education Act of 1965 (HEA) to $725 million.
[2] …which may be used for loans to public and private historically Black colleges and universities without regard to paragraphs (1) and (2) of section 344(a).	The requested language allows the program to make loans in fiscal year 2009 without regard to the language in HEA section 344(a) paragraphs (1) and (2) that sets limits on the amount of the program's loan authority that can be devoted to private versus public HBCUs.
[3] For the cost of guaranteed loans, $10,000,000, as authorized pursuant to title III, Part D of the Higher Education Act of 1965:	In accordance with the Federal Credit Reform Act of 1990, the requested language appropriates $10 million in subsidy for new loans to be made under the HBCU Capital Financing program. No loans may be insured under the program that would require subsidy above this amount.
[4] *Provided further*, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed $100,000,000.	The requested language limits the amount of bonds that may be insured under the HBCU Capital Financing program to $100 million in fiscal year 2009.

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[5] In addition, for administrative expenses to carry out the Historically Black College and University Capital Financing Program entered into pursuant to title III, part D of the Higher Education Act of 1965, as amended, [$188,000] $354,000.	In accordance with the Federal Credit Reform Act of 1990, this language appropriates funds to service existing loan obligations made under the HBCU Capital Financing program and provide technical assistance to prospective and existing program participants.

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Amounts Available for Obligation
($000s)

	2007	2008	2009
Discretionary appropriation:			
Appropriation, definite	209	$188	$354
Appropriation, indefinite	$304,560	0	10,000
Across-the-board reduction	0	-3	0
Subtotal, discretionary appropriation	304,769	185	10,354
Mandatory appropriation:	14,154	18,038	0
Subtotal, discretionary and mandatory appropriation	318,923	18,223	10,354
Unobligated balance expiring	53	0	0
Total, direct obligations	318,870	18,223	10,354

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Obligations by Object Classification
($000s)

		2007	2008	2009
11.10	Full-time permanent	$65	$129	$132
11.31	Full-time temporary	19	0	0
11.52	Awards	1	3	3
12.00	Benefits	21	30	31
	Subtotal, personnel	106	162	166
21.00	Travel	12	10	35
23.10	Rent to GSA	4	4	5
22.31	Communications	0	1	0
25.21	Other services	28	3	138
25.72	Information technology contract ..	5	4	9
26.00	Supplies	0	1	0
31.10	Information technology software .	1	0	1
41.02	Subsidies for credit program	318,714	18,038	10,000
	Total	318,870	18,223	10,354

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Summary of Changes
($000s)

2008..	$185
2009..	10,354
Net change.........................	+10,169

	2008 base	Change from base
Increases:		
Built-in:		
Increase in personnel compensation for annualization of the 3.5 percent FY 2008 pay raise and annualization of the proposed 2.9 percent FY 2009 pay raise.	$129	+$3
Increase in the Department’s share of health, retirement, and other benefits due to inflation.	30	+1
Program:		
Increase in travel due to changing needs and increased costs.	10	+25
Increase in rent to GSA.	4	+1
Increase in other services due a planned increase in technical assistance activities.	3	+135
Increase in information technology contract and equipment costs.	4	+6
Increase for subsidy costs in new loans.	0	+10,000
Subtotal, increases		+10,171
Decreases:		
Program:		
Decrease in communications due to change in needs.	1	-1
Decrease in supplies due to change in needs.	1	-1
Net change		+10,169

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Authorizing Legislation
($000s)

Activity	2008 Authorized	2008 Estimate	2009 Authorized	2009 Request
Federal administration *(Federal Credit Reform Act of 1990, section 505(e) and Title III, part D, HEA)*	Indefinite	$185	Indefinite	$354
New loan subsidy *(Title III, part D, HEA and Federal Credit Reform Act of 1990, section 505(e))*	0[1]	0	0[1]	10,000[2]
Total definite authorization				
Total appropriation		185		10,354
Portion of request not authorized				10,000[1,2]

[1] The limitation in section 344(a), HEA of $375,000 thousand on the amount of federally insured bonds and unpaid interest on those bonds that may be issued to finance loans was exceeded in 2007. The 2009 request includes proposed appropriations language to raise the limit of federally insured bonds to $725,000 thousand so that new loans may be made.

[2] As required by the Federal Credit Reform Act, an appropriation is requested for $10,000 thousand in subsidy costs of the loans that will be made using the increased financing authority, and the proposed appropriations language provides authority to use the requested funds to subsidize up to $100,000 thousand in loan principal.

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Appropriations History

($000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2000	$207	$96	$207	$207
2001	208	207	208	208
2002	208	208	208	208
2003	211	208	208	207
2004	210	210	210	209
2005	212	212	212	210
2006	210	210	210	208
2007	190	N/A[1]	N/A[1]	209
Supplemental (2007)	0	0	0	304,560
2008	188	188	188	185
2009	10,354			

[1] This account operated under a full-year continuing resolution (P.L. 110-5). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

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Federal administration
(Federal Credit Reform Act of 1990, section 505(e)
and the Higher Education Act of 1965, title III, part D)

FY 2009 Authorization ($000s)

Federal administration:	Indefinite
New loan subsidy costs:	0[1]

Budget Authority ($000s):

	2008	2009	Change
Personnel costs	$162	$166	+$4
Non-personnel costs	23	188	+165
New loan subsidy costs	0	10,000	+10,000
Total	185	10,354	+10,169
Full-time equivalent employee	1	1	0

[1] The limitation in section 344(a), HEA of $375,000 thousand on the amount of federally insured bonds and unpaid interest on those bonds that may be issued to finance loans was exceeded in 2007. The 2009 request includes proposed appropriations language to raise the limit of federally insured bonds to $725,000 thousand so that new loans may be made. As required by the Federal Credit Reform Act, an appropriation is requested for $10,000 thousand in subsidy costs of the loans that will be made using the increased financing authority, and the proposed appropriations language provides authority to use the requested funds to subsidize up to $100,000 thousand in loan principal.

PROGRAM DESCRIPTION

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Funds for this activity pay the Federal costs for administering the Historically Black Colleges and Universities (HBCU) Capital Financing Program. Since fiscal year 1996, this program has provided HBCUs with access to capital financing for the repair, renovation, and, in exceptional circumstances, construction or acquisition of educational facilities, instructional equipment, research instrumentation, and physical infrastructure.

HBCUs, which have played a prominent role in our Nation's history, have significant needs for capital improvements. However, in most cases these institutions cannot access traditional funding sources at reasonable interest rates. The HBCU Capital Financing Program supports the Department's goal to strengthen HBCUs by ensuring that HBCUs have access to low-cost financing to fund infrastructure improvements. This program has made low interest loans available for capital improvements to some of the Nation's most vulnerable institutions of higher education, which have allowed these institutions to make improvements to their capital stock, especially academic facilities and student living-quarters. Under this program, the Department is authorized to provide financial insurance to guarantee up to $375 million in loans and interest to qualifying HBCUs—$250 million for private HBCUs and $125 million for public HBCUs. The

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program has now surpassed the statutory loan cap and, without statutory changes, will not be able to insure additional loans under the program.

To limit the Federal Government's exposure to incurring losses due to defaults and delinquencies, 5 percent of all loans are deposited in a mandatory, pooled escrow account from which loan payments can be made in the event of defaults or delinquencies. Analysis has shown that the funds held in the escrow account are not sufficient to cover all potential program costs, including delinquencies and defaults. As such, the Administration has concluded that the program can no longer be operated as a zero subsidy program.

The HBCU Capital Financing Advisory Board, appointed by the Secretary, advises the Secretary and the Designated Bonding Authority (DBA) as to the most effective and efficient means of implementing the program. The DBA, also selected by the Secretary, provides for the operation of the HBCU Capital Financing Program, which includes raising bond capital, making loans to eligible institutions, charging interest, and providing for a schedule of repayments. Direct loans are financed through the Federal Financing Bank and guaranteed loans are financed through the private market, with all loan payments fully insured by the Federal Government.

The administrative costs for this program include the personnel compensation and benefits for 1 full-time equivalent (FTE) employee, overhead, and other administrative services. The FTE reported in this account reflects the Department's estimate of the staff time devoted to administering the program. This estimate does not include FTE associated with the Department's centralized services, which are reflected in the Program Administration account in the Salaries and Expenses Overview. The major non-personnel costs include support for the HBCU Capital Financing Advisory Board and a contract with the DBA to provide technical assistance workshops.

Funding levels for the past 5 fiscal years were:

	($000s)
2004	$209
2005	210
2006	208
2007	304,769
2008	185

Subsidy Costs

In the first 10 years that the HBCU Capital Financing Program operated there were no delinquencies or defaults. The rigorous application and credit review process imposed by the Department and the DBA was credited with ensuring that institutions receiving loans under this program had the ability to comply with the terms of their loans. However, in 2004 Barber Scotia College lost its accreditation with the Southern Association of Colleges and Schools. As a result, students enrolled at Barber Scotia College were no longer eligible for Federal student assistance. With approximately 90 percent of the College's students receiving some form of government assistance, this has rendered the College unable to service its debt under the program. Barber Scotia College has one $7 million loan under the program, of which $6,964,340 has been disbursed. When capitalized interest is included, there is a total of $7,209,907 currently outstanding. In addition, there will be a total of $5,656,491 in interest due over the remaining life of the loan. Since March 2005, Barber Scotia College's principal and interest payments have been made from the pooled escrow account. If Barber Scotia College's payments continue to be drawn out of the pooled escrow account, it is estimated that, without additional funds, the escrow account will be able to maintain Barber Scotia College's payments until the year 2014. Barber Scotia College's default and the subsequent drawing of funds from the shared escrow account had a negative effect on the program, making HBCUs reluctant to take out additional loans from the program. As a result, demand for loans under the program dropped significantly in fiscal year 2006. The DBA, which holds the loans that are guaranteed through this program, initiated foreclosure actions against Barber Scotia College to recover funds owed. It would appear that initiating such action addressed some of these concerns and, as a result, demand for loans rebounded in fiscal year 2007.

The Department has reexamined the appropriateness of the cash-flow assumptions for the program, especially the default assumptions, in light of the program's first default. Previously, the default estimate was calculated based on prevailing market-based rates. The Department has now re-calculated the default assumptions based on individual assessments of risk and potential recovery for each loan. In light of these new assumptions, the credit subsidy for the program, previously estimated at zero, was upwardly re-estimated in 2007 to $14.1 million for loans already made. Furthermore, the Department now does not believe that the funds set aside in the program's escrow account would be enough to cover defaults and, as such, the program can no longer be considered a zero subsidy program, according to the terms of the Federal Credit Reform Act of 1990.

Hurricane Relief Loans

In fiscal year 2006, Congress passed the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery (P.L. 109-234). Section 2601 of this act created a new sub-program within the HBCU Capital Financing Program that authorized loans on advantageous terms to HBCUs affected by Hurricanes Rita and Katrina for a one-year period that ended on June 15, 2007. Under this sub-program, the interest rate charged on loans was capped at 1 percent, fees associated with the hurricane relief loans were less than those associated with the rest of the program, and institutions are not required to participate in the program's pooled escrow account. The statute also allowed the Department to make hurricane relief loans in excess of the overall program loan caps. The Department made four hurricane relief loans for a total of $400 million. In developing the subsidy estimate for the hurricane relief loans, the Department assumed that there would be one default and no recoveries over the life of these loans. In light of these forecast assumptions and the expected cashflows for the hurricane relief loans, the Department estimated a subsidy rate for the program of 76.21 percent and, as a result, received a subsidy appropriation, under the authority provided in the Credit Reform Act of 1990, of $304,560,000.

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FY 2009 BUDGET REQUEST

For fiscal year 2009, the Administration requests $10,354,000 for the Historically Black College and University (HBCU) Capital Financing Program account. The request includes an increase of $169,000 for administrative expenses and an additional $10 million for loan subsidy costs for new loans under the program.

The request includes $354,000 for the administration of the program, an increase of $169,000 over the fiscal year 2008 appropriation. The increase in administrative expenses includes an additional $160,000 for travel and contracts which will be used to establish an expanded technical assistance program to fill a finance skill and expertise gap in the HBCU community that will assist HBCUs to enhance their fiscal stability and prepare to access capital markets. The request also includes increases of $4,000 needed to cover proposed increases in Federal salary and benefits as well $5,000 for information technology and rent to GSA to cover increased costs in these areas. For presentation purposes, the full-time equivalent and administrative costs financed by this account are also included under the justification materials in the Salaries and Expenses Overview.

The request also includes $10 million for loan subsidy costs of new loans as well as appropriations language that would provide the authority needed to make these new loans. The HBCU Capital Financing Program supports the Administration’s goal to strengthen HBCUs by ensuring that HBCUs have access to low-cost financing to fund infrastructure improvements. Under this program, the Department is authorized to provide financial insurance to guarantee up to $375 million in loans and interest to qualifying HBCUs. In fiscal year 2007, the Department guaranteed $400 million worth of hurricane relief loans authorized under section 2601 of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery (P.L. 109-234), and an additional $67 million in new loans made under the main program. In doing so, the program depleted the remaining loan funds available under the statutory cap. In order to be able to make new loan guarantees, the Administration’s request includes proposed appropriations language to increase the loan cap to $725 million. In addition, analysis has shown that the program can no longer be operated as a zero subsidy program. As a result, the Administration's request includes $10 million for loan subsidy costs. The request would allow the program to guarantee up to $100 million in new loans. Based on current assumptions of the relative risk of the expected loan applicants, the Department anticipates that the available subsidy will be sufficient to guarantee $61 million in new loans in fiscal year 2009. The Administration will work with the Designated Bonding Authority to target available loan authority at those HBCUs whose financial status restricts their access to traditional sources of capital financing, such as bank loans and bond financing. The Administration is committed to working with Congress to identify and implement any additional legislative changes that would be necessary to achieve such targeting of the new loan authority.

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PROGRAM OUTPUT MEASURES **($000s)**

	2007	**2008**	**2009**
Number of new loans:			
Private HBCUs	6	0	8
Public HBCUs	1	0	3
Total	7	0	11
New loan volume:			
Private HBCUs	$423,000	0	49,562
Public HBCUs	$44,000	0	11,438
Total	$467,000	0	61,000
Total number of loans:			
Private HBCUs	24	24	32
Public HBCUs	7	7	10
Total	31	31	42
Total loan volume:			
Private HBCUs	$614,297	$614,297	$663,859
Public HBCUs	$116,114	$116,114	$127,552
Total	$730,411	$730,411	$791,411

Note: All loans made to date are direct loans financed through the Federal Financing Bank.

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2009 and future years, and the resources and efforts invested by those served by this program.

Goal: To improve loan recipients' overall financial stability and enhance their ability to attract, retain and educate students

Objective: *Total revenues and investment return will increase for loan recipients.*

This performance measure is the rate of long-term change in the total revenues and investment return of loan recipients. This is a new measure created through the Performance Assessment Rating Tool (PART) process. The long-term change in institutions' total revenues and investment return is one gauge of improved institutional financial stability and capability to fulfill their educational mission. Loans that fund capital and infrastructure improvements are key assets for providing quality postsecondary education. Some HBCUs have significant cash flow problems, which this program is expected to help ameliorate. Revenue is a strong indicator of an institution's success at maintaining or increasing enrollment, expanding fundraising actvities, and ultimately the institution's financial stability. The ability to maintain or increase revenue suggests that an institution will be able to service its debts and maintain its operations. This measure helps to assess the financial solvency of borrowers, which is a gauge of default potential. This measure will be calculated as the difference between the current year's total revenues and investment return and the previous year's revenues and investment return divided by the previous year's revenues and investment return for those institution's repaying a loan in both years. The data source for total revenues and investment return is the National Center for Educational Statistics' Integrated Postsecondary Education Data System. Data supporting this new measure should be available in fiscal year 2009. Once the Department receives these baseline data, targets will be established.

Objective: *The delinquency rate of loan recipients will improve.*

The performance measure is the delinquency rate of loan recipients. This is a new measure created through the PART process. The delinquency rate—the percentage of loan payments received between 11-59 days after the due date—indicates the financial stability of borrowers. The ability to make timely payments reduces the likelihood of default. It also indicates successful monitoring, technical assistance, and enforcement by the Department and the Designated Bonding Authority (DBA) in administering the program. The program allows borrowers a 10-day grace period within which their payments are considered on-time. After that they are considered delinquent. This annual measure will be calculated by counting the total number of payments received by the DBA between 11-59 days after the due date during a fiscal year and dividing by the total number of payments due during the fiscal year. Those institutions with multiple loan disbursals will be counted multiple times each month. Once the Department collects baseline data, targets will be established.

Goal: To improve the capacity of program borrowers to improve student success and provide high-quality educational opportunities for their students.

Objective: *Maintain or increase the persistence rate of first-year students at borrower institutions.*

This is a new measure created through the PART process. New and improved physical plant can help an institution of higher education increase student persistence. Many of the loans have provided support for student housing and many of the borrowers have explicitly cited lack of adequate student housing and facilities as a reason for high attrition rates on their campuses in their loan applications. The measure will rely on data taken from the Integrated Postsecondary Education Data System database maintained by the National Center for Education Statistics. The Department is currently working to establish baselines and targets for this measure.

Efficiency Measures

The efficiency measure for this program tracks the estimated Federal cost per dollar made in loan guarantee (or the subsidy rate). This is a new measure created through the PART process. The Department is currently working to establish baselines and targets for this measure.

Other Performance Information

In 2006, the U.S. Government Accountability Office (GAO) conducted an examination of the HBCU Capital Financing Program. The objectives of the study were to review: (1) HBCU capital project needs and program utilization, (2) program advantages compared to other sources of funds and schools' views on loan terms, (3) the Department's program management, and (4) new loan provisions enacted in June 2006 to assist in hurricane recovery efforts. GAO noted in the report that HBCUs have extensive and diverse capital project needs and that the HBCU Capital Financing Program provides them with access to low-cost capital financing and flexibilities not available elsewhere. The report also noted that the Department had taken steps to improve the program that included increasing flexibility by providing schools with both fixed and variable interest rate options, allowing for larger loans, affording schools with more opportunities to negotiate loan terms, and increasing marketing efforts for the program. The report also noted specific weaknesses in the Department's management of the program.

GAO's recommendations are presented below, followed by a description of the Department's actions to address them.

- *The Department should regularly convene and consult with the HBCU Capital Financing Program's Advisory Board. Additionally, the Department and the Advisory Board should consider the feasibility of alternatives to the escrow arrangement. If the Department determines that statutory changes are needed to implement more effective alternatives, it should seek such changes from Congress.* The Department is committed to meeting with the HBCU Capital Financing Program's Advisory Board twice each year. Advisory Board meetings were held in October 2006, April 2007, and November 2007. The meetings provide an opportunity for the Department and the Advisory Board to discuss a wide variety of topics.

- *The Department should enhance communication with HBCU Capital Financing Program participants by (1) developing guidance for HBCUs, based on other schools' experiences with the program, on steps that applicants can take to expedite loan processing and receipt of loan proceeds, and (2) regularly informing program applicants of the status of their loan applications and Department decisions.* The Department will take several steps to address this recommendation. Experiences of past borrowers will be studied to determine realistic time projections for each phase of the loan process and to identify lessons learned that could be shared with new applicants. The Department will develop a program fact sheet that includes an overview of the loan process, a listing of documents commonly needed to process a loan, and information about how to expedite the loan application and closing processes. Further, the Department will develop a customer satisfaction survey that will be sent to borrowers 15 days after they have closed on a loan. Finally, the Department will implement processes to provide schools with clear and timely information using multiple forms of communication.

- *The Department should change its requirement that borrowers make monthly payments to a semiannual payment requirement.* While the Department understands institutions'

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preference for semi-annual rather than monthly payments, the potential for default, as well as each institution's potential exposure from the default of another program participant, leads the Department to believe that it would be imprudent to implement a less frequent payment schedule.

- *The Department should ensure that the program subsidy cost estimation process include as a cash flow to the government the surcharge assessed by the Federal Financing Bank (FFB) and paid by HBCU borrowers and pay such amount to the program's financing account. Additionally, the Department should audit the surcharge funds held by the DBA.* The Department is in the process of revising its fiscal procedures to ensure that fees are accurately collected and recorded, and is working to have the FFB fee transferred to the Department in a way that will continually account for FFB fees separately as they apply to each loan. Additionally, the Department has worked with the Office of Management and Budget to incorporate the fee into the Department's cash flow model for the program. Further, the Department retained an independent firm to audit the DBA during fiscal year 2007, to assess the handling of loan funds and associated fees. This audit was recently completed and the Department is currently in the process of reviewing the resultant report.

- *The Department should increase monitoring of the DBA to ensure compliance with contractual requirements and ensure properly marketing the program.* The independent audit will assess the DBA's record-keeping function and determine documents the DBA needs to obtain to complete its files. The Department will ensure that each borrower's file is complete. Further, the Department now requires the DBA to submit quarterly reports on the status of program participation and financing, as well as a marketing report that includes activities tabulated by institutions' student enrollments, types, and locations. These new reporting requirements were implemented in 2007.

Follow-Up on PART Findings and Recommendations

This program was assessed using the PART in 2007 and received a Results Not Demonstrated rating. This rating was based on the fact that data are not yet available to evaluate the effectiveness of the program.

The PART assessment made the following findings regarding program's effectiveness:

- While the program's purpose is clear and it addresses an existing need, the program's viability is hampered by problems with its escrow account, contractor fee structure, and loan package inflexibility.

- While the program has performance measures, the Department has yet to establish targets or collect data for these measures.

- The program compares favorably to others and has some evaluation evidence that shows a positive impact. The lifetime loan default rate for the program is only 6.7 percent, which compares favorably to other high risk lending programs. Preliminary results from the program's outcome evaluation show that the program provides HBCUs with more affordable loans than they would have gotten on the open market.

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The PART improvement plan recommendations are presented below, followed by a description of the Department's corrective actions.

- *Pursue legislative fixes to address key programmatic flaws.* The Department is working to develop legislative proposals to address key programmatic flaws. Included in this budget request are the Department's proposals to increase the program's statutory loan cap to allow the program to insure additional loans and eliminate the restrictions on the amount of the program's loan authority that can be devoted to private versus public HBCUs.
- *Develop oversight systems to strengthen contractor accountability and promote a high level of performance throughout the entire life of the program.* The Department has completed an audit of the DBA's files and is currently analyzing the audit finding in light of the need to increase performance accountability and oversight.
- *Review performance measures with program's Board of Advisors and key stakeholders and establish appropriate targets for performance measures.* The Department has worked with the program's Board of Advisors and key stakeholders to develop a new performance measure for the program (persistence). This will take the place of the credit worthiness measure, which was ultimately overly costly to implement. The Department is continuing to work with this group to develop appropriate targets for all of the program's performance measures.