



Ricardo D. Torres
President and Chief Executive Officer
National Student Clearinghouse
2300 Dulles Station Boulevard
Suite 300
Herndon, VA 20171

DEC 1 | 2013

UPS Delivery
Tracking # 1ZA879640192661090

RE: Expedited Final Program Review Determination Letter
OPE ID: 77000873

Dear Mr. Torres:

From September 16, 2013 through September 18, 2013, Alan Toms, Eric Miles and Jeremy Clark conducted a review of National Student Clearinghouse's (NSC's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The purpose of this Final Program Review Determination Letter is to close the program review.

Background:

The NSC was founded in 1993 as a non-profit corporation to assist schools in fulfilling their obligation to report enrollment status of students with financial aid. The NSC serves as a single point of contact for the collection and timely exchange of accurate and comprehensive enrollment, degree and certificate records on behalf of its 3,521 participating higher education institutions. Most NSC services are provided to colleges and universities at little or no charge, including enhanced transcript and research services.

Operations Overview:

NSC offers the following services to their postsecondary institutional clients:

Enrollment Verification Service
Student Tracker Service (research based service)
Degree Verification Service
Transcript Ordering Service
Student Self-Service

NSC services are designed to facilitate an institution's compliance with the Family Educational Rights and Privacy Act (FERPA), the Higher Education Act of 1965 (HEA) and other applicable laws. In addition, the NSC provides enrollment and degree verifications to student loan

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

830 First St., N.E. Washington, D.C. 20202
StudentAid.gov

providers, employers, student credit issuers, the U.S. Department of Education (Department's) and others who access its registry. NSC clients have a contract/participation agreement for each service they use. The contracts are not set to expire, do not have expiration dates, with the exception of the Student Tracker Service contract. Most of the services that NSC provides are made available free of charge to NSC's client institutions with the exception of the Student Tracker Service. NSC charges a fee to the individual student record requestors for the Transcript Ordering and Degree Verification Services. In addition to NSC's processing fee, individual institutions may add a surcharge fee that is collected by NSC and remitted to the institution on a monthly basis.

Institutions authorize NSC to report enrollment through an Enrollment Reporting Roster (ERR) process formerly the Student Status Confirmation Report (SSCR). Once the contract/agreement is in place, the institution's TG number is updated via the Student Aid Internet Gateway (SAIG) so that SSCRs are sent to NCS's mailbox instead of the institution's mailbox. In addition to the ERR process, NSC contracts with other lenders, servicers and guarantors to report student enrollment status. Data is sent to NSC in a student specific file and NSC reports the student's enrollment status if that particular student is in its database.

An institution's Planned Transmission Schedule for NSC is used by NSC as the framework to complete timely compliance reporting. It also sets reporting expectations for various departments within the institution, the NSC, and the student loan community, including the Department of Education. Each institution has different needs and, therefore, each transmission schedule is different for each NSC participating institution. Typically, the transmission schedule includes at least eight to twelve transmissions per academic year. Institutions will send to NSC data of all of their enrolled students in a predetermined format via a secure File Transfer Protocol (FTP). Enrollment data is sent on a monthly basis by most institutions but at a minimum at the beginning of the term, the mid-point of the term and the end of the term. On average, NSC processes student files in 2.95 days after receipt of student data.

Once a transmission has gone through NSC system edits and the institution has corrected any errors within the file, the enrollment data is loaded into the NSC database. The NSC then transmits the institution's ERR data to guarantors, lenders, and servicers, including the Department of Education's National Student Loan Data System (NSLDS). The enrollment data is sent via interactive login with an option of Pretty Good Privacy (PGP) encryption prior to using the secure File Transfer Protocol (FTP). The reporting sessions are Secure Sockets Layer (SSL) encryption at 128-bit or via Secure Shell (SSH) encryption.

NSC data flows are based on the requirements in accordance with the U.S. Department of Education federal regulations; specifically, 34 C.F.R. §§ 682.210(c) and 685.309(b). These regulations provide guidance for an institution to communicate enrollment status changes via a ERR. NSC completes these ERRs in two different flows of data: 1) in response to receiving an ERR from the Department's NSLDS¹ and 2) as prompted by new data received from the institution.

¹ The U.S. Department of Education (Department) has a contract with NSC to ensure the enrollment status on federally held loans is current. Enrollment Rosters generated by the Department's NSLDS are sent directly to NSC on behalf of the schools they service. NSC works with NSLDS to establish a "changes only" process that captures

1. The first ERR data flow is a scheduled ERR transmission, which the Department's NSLDS generally creates and sends to NSC on the first business day of the scheduled month. The SSCR contains information on specific students at specific institutions who have received Stafford and PLUS loans, and in certain cases some grants, as determined by NSLDS. As an agent for the institution, the NSC responds to the ERR for each institution with the students' information that it has in the NSC database, as provided by the institution. The NSC completes and returns the NSLDS ERR within 30 days of receipt in accordance with the federal regulations. The NSLDS ERR schedule typically reflects an ERR scheduled for the month following a standard transmission to the NSC.
2. The second ERR data flow is a ERR sent from the NSC directly to guarantors, lenders, and servicers, including NSLDS. This communication of data is prompted by the receipt of the institution's data to the NSC. Institutions schedule the transmission of this data to NSC based on their academic calendars, capturing their students' enrollment status changes in order to comply with the federal regulations. The NSC knows to provide information directly to the guaranty agencies, lenders, and servicers because these entities regularly update the NSC (via electronic notification) with lists of specific students that have outstanding student loans. Within approximately one week of loading an institution's enrollment data into the NSC database, the students' records are sent out to lenders, servicers and guarantors, including NSLDS.

The student reports are sent via interactive login with an option of Pretty Good Privacy (PGP) encryption prior to using the secure FTP. The reporting sessions are Secure Sockets Layer (SSL) encryption at 128-bit or via Secure Shell (SSH) encryption. Once the files are on the NSC side, it is secured via Advanced Encryption Standard (AES) 256-bit. The secure FTP is a third party provider IPSWITCH and the product is called MOVEit. Data is moved from the FTP to NSC's in house IMB Unix AIX systems. Security policies are updated annually and annual FERPA training is provided to all NSC employees.

Scope of Review:

The objective of the program review was to determine if NSC reported accurately and timely enrollment status of students to schools, lenders, guarantee agencies and the U.S. Department of Education, which includes the Department's National Student Loan Data System (NSLDS) for Direct Loan Servicers in accordance with federal regulations 34 C.F.R. §§ 682.210(c) and 685.309(b). The regulations state that upon receipt of a Student Status Confirmation Report (SSCR) from the Secretary or a similar SSCR form from any guarantee agency, complete and return that report within 30 day of receipt to the Secretary or the guaranty agency as appropriate; and unless it expects to submit the next student ERR to the Secretary or guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days if it discovers that a Stafford, SLS or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis; if it discovers that a Stafford, SLS or PLUS has been made to or on behalf of a student who has been accepted for

changes in attendance on federally held loans and TEACH grants, which includes reporting changes in enrollment status to NSLDS weekly. NSC is paid by the Department a monthly flat rate for its services.

enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; if it discovers that Stafford, SLS or PLUS has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or if it discovers that student who is enrolled and has received a Stafford or SLS loan has changed his or her permanent address.

NSC provided a list of its clients which identified a universe of 3,521 institutions. From this universe, the reviewers took a statistical sample of 1000 randomly selected institutions. A file sample of 15 institutions was randomly produced from the statistical sample. A judgmental sample of 3 institutions was then selected from the 15 institution file sample for an in-depth file study. For each of the 3 institutions selected in the judgmental sample, NSC provided a list of students for whom NSC did any part of the Title IV processing during the 2012-2013 Award Year. A file sample of 15 students was selected from each of the 3 institution's student lists. As a result, a sample of 45 student files was selected from the 2012-2013 Award Year for review.

The review consisted of the following:

- The reviewers conducted interviews and collected information from the following representatives of the 3 institutions selected for in-depth file study:

- The reviewers reviewed the information published on the NSC website, www.studentclearinghouse.org.

- The reviewers interviewed NSC employees

- The reviewers collected and reviewed the contracts the 3 institutions have in place with NSC. All three of the institutions participate in NSC's basic/core Enrollment Verification-Reporting Service. Two of the institutions also participate in NSC's Degree Verification, Student Tracking and Transcript Ordering Service.

- The reviewers retrieved the enrollment data for each of the 45 students stored in the Department's NSLDS, which consisted of Clearinghouse Contract submission data² (Data Flow 1 submissions) and School Batch submission data (Data Flow 2 submissions). The NSLDS enrollment data was compared to NSC's School's Submission Detail (date received is the date NSC received enrollment file from institution, merge date is the date the records were loaded into the NSC database), Enrollment Detail (status start date is the

² The Clearinghouse Contract submission data refers to the contract that the Department has with NSC (Data Flow 1 submission data) to ensure the enrollment status on federally held loans is current. Enrollment Rosters generated by the Department's NSLDS are sent directly to NSC on behalf of the schools they service.

date the institution first reported the status and the certification date is the date the school is reporting the status of students from their Student Information System to NSC according to its transmission schedule), Member Notification Detail (contains the submission ID), ERR Processing Detail (date NSC sent data back to NSLDS), and the Enrollment History Detail for each student (provides history with dates of all processing back to institutions, lenders, servicers and guarantors, including NSLDS).

- The reviewers collected and reviewed NSC's Enrollment Reporting Programming & Testing Guide, which it provides to all institutions. The guide explains how to develop a data extract program that enables institutions to report enrollment data to NSC.
- The reviewers expanded the institutional sample to include the additional 12 institutions identified in the 15 institution file sample. All of NSC's 3,521 institutions participate in the basic/core Enrollment Verification-Reporting Service. Therefore, a sample of the School Batch submission data (Data Flow 2 submission data) was reviewed for these additional 12 institutions.

Appendix A lists the names of the institutions and the names and partial social security numbers of the students whose files were examined during the program review. The appendix contains Personally Identifiable Information (PII).

Protection of Personally Identifiable Information:

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. Therefore, Appendix A was encrypted and sent separately to NSC via e-mail.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in this letter concerning NSC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve NSC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

Findings:

During the review, no findings were identified regarding the accurate and timely reporting enrollment status of students to institutions, lenders, guarantee agencies and the U.S. Department of Education, which includes the Department's National Student Loan Data System (NSLDS) for Direct Loan Servicers in accordance with federal regulations 34 C.F.R. §§ 682.210(c) and 685.309(b).

Record Retention:

National Student Clearinghouse

OPEID: 77000873

Page 6 of 8

Program records relating to the period covered by the program review must be retained until the later of, resolution of the loans, claims or expenditures questioned in the program review, or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e) and (f) and 668.25(c).

We would like to express our appreciation for the courtesy and cooperation extended during the review. If you have any questions concerning this report, please call Alan Toms at 202-377-4870.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael Frola".

Michael Frola

Director

Foreign School Participation Division