

# Heightened Cash Monitoring

## Policy Change Adopted on Second Reading

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The Higher Learning Commission (HLC) Board of Trustees (“the Board”) adopted this policy on second reading at its meeting on February 23–24, 2023.

### Background

Most institutions disburse federal financial aid through an Advance Payment Method. However, the U.S. Department of Education Federal Student Aid (FSA) sometimes places institutions on heightened cash monitoring payment methods to provide additional oversight of institutional cash management. There are three levels of heightened cash monitoring. They are as follows, in increasing order of severity:

- **Heightened Cash Monitoring 1 (HCM1).** Similar to schools that use the Advance Payment Method, an institution that is on HCM1 disburses funds to students from institutional funds and then draws down funds from FSA through a Common Origination and Disbursement System to cover those disbursements.
- **Heightened Cash Monitoring 2 (HCM2).** An institution that is on HCM2 must make disbursements to students through institutional funds and then submits a request for reimbursement from FSA. FSA will review a sample of disbursements prior to disbursing funds.
- **Reimbursement.** This method is similar to HCM2, but FSA reviews documentation for all payment requests, not just a sample.

Per federal regulations, and as articulated in HLC policy, an institution that is placed on HCM2 or the reimbursement payment method must submit a Provisional Plan to HLC for approval. The adopted policy change clarifies that the Provisional Plan requirement only applies to institutions placed on HCM2 or the reimbursement payment method. The changes also modify the Obligations of Membership to require member institutions to alert HLC when they are placed on HCM2 or the reimbursement payment method. Institutions should notify HLC using the [Federal Student Aid Status Notification Form](#).

HLC circulated these policy changes to the membership and other interested parties after the Board’s November 2022 meeting. No external comments were received warranting changes in language.

## Implementation

This policy is effective immediately.

## Adopted Policy Change

Wording that was deleted or revised is shown as strikethrough (~~old wording~~); new language, whether through addition or revision, is shown in bold (**new wording**). These revisions have been made on HLC's website at [hlcommission.org/policies](https://hlcommission.org/policies).

**Policy Title:** HLC Approval of Institutional Teach-Out Arrangements

**Number:** FDCR.B.10.010

HLC approval of various aspects of an institution's teach-out arrangements shall be required when an institution must teach-out one or more students.

### Institutional Situations Requiring Submission of Provisional Plans for Approval

An institution shall be required to submit a written Provisional Plan in any of the following circumstances:

1. the U.S. Department of Education notifies HLC of an emergency action, or a limitation, suspension or termination or similar action against the institution;
2. the U.S. Department of Education notifies HLC of a determination by a non-profit or proprietary institution's independent auditor expressing doubt regarding the institution's ability to operate as a going concern or indicating an adverse opinion or a finding of material weakness related to such institution's financial stability;
3. the U.S. Department of Education notifies HLC that the institution is participating in Title IV, HEA programs under a provisional program participation agreement and is required to have a teach-out plan as a condition of participation;
4. **HLC is notified that** the U.S. Department of Education ~~notifies HLC that it~~ has placed the institution on the ~~Reimbursement~~ payment method or ~~Heightened Cash~~ **Monitoring 2** payment method under federal regulations;
5. HLC grants candidacy to an institution or places an institution on Probation or issues a Show-Cause Order or acts to withdraw, terminate or remove the status of an institution;
6. the institution notifies HLC that it intends to cease or remove operations entirely or permanently close an additional location where it offers at least 100% of either a Certificate or degree program before all students have completed their program of study, including if the additional location is being moved and is considered by the U.S. Department of Education to be a closed institution;

7. a state licensing or authorizing agency notifies HLC that an institution’s license or legal authorization to provide an educational program in that state has been or will be revoked;
8. HLC staff determines in its sole discretion that closure or suspension of one or more academic programs at an institution raises concerns about the well-being of students in these programs; or
9. HLC staff determines that the institution is at risk for a sudden closure or suspension of its operations because it is in financial distress, under governmental investigation, undergoing Change of Control, Structure or Organization, or facing other significant challenges.

Without limitation, an institution is required to immediately contact HLC through its HLC staff liaison if it anticipates any of the above occurrences or any other circumstance that will jeopardize currently enrolled students’ ability to complete their programs of study as originally anticipated.

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#### Policy History

Last Revised: February 2023

First Adopted: June 2008

Revision History: revised February 2009, February 2010, November 2010, August 2016, June 2017, June 2020, November 2020, November 2021, February 2022, February 2023

Notes: Policies combined November 2012: 3.9, 3.9(a), 3.9(b), 3.9(c), 3.9(d). In February 2021, references to the Higher Learning Commission as “the Commission” were replaced with the term “HLC.”

Related Policies:

**Policy Title: Obligations of Membership**  
**Number: INST.B.30.020**

While seeking and holding membership with HLC, an institution voluntarily agrees to meet obligations set forth by HLC as follows:

1. The institution participates in periodic evaluation through the structures and mechanisms set forth in HLC policies, submission of reports as requested by HLC, filing of the Institutional Update, and any other requirements set forth in its policies.
2. The institution regularly reviews current HLC policies and procedures. It adheres to such policies and procedures in good faith.
3. The institution designates an Accreditation Liaison Officer in accordance with HLC requirements.

4. The institution is candid, transparent, and forthcoming in its dealings with HLC, including cooperating with all requests for information from HLC.
5. The institution notifies HLC of any condition or situation that has the potential to affect the institution's status with HLC, such as a significant reduction in program offerings, potential institutional closure or serious legal investigation (including, but not limited to, conditions or situations included in HLC's policy on special monitoring).
6. As further defined and explained in HLC policy, the institution informs HLC of its relationship with any related entity wherein institutional decision-making is controlled by that entity and of any changes in that relationship that may affect the institution's compliance with HLC accreditation requirements.
7. The institution describes itself in identical terms to HLC and to any other recognized accreditor or regulatory body with which it holds or seeks membership with regard to purpose, operating authority, governance, programs, locations, degrees, diplomas, certificates, personnel, finances, and constituents.
8. The institution notifies HLC when it receives a pending or final adverse action from or has been placed on sanction by any other recognized accreditor; if a state has issued a pending or final action that affects the institution's legal status or authority to grant degrees; ~~or~~ if it is placed on, or removed from, a provisional certification for participation in Title IV by the U.S. Department of Education; **or if it is placed on, or removed from, the Reimbursement payment method or the Heightened Cash Monitoring 2 payment method by the U.S. Department of Education.**
9. The institution notifies its constituents when it receives a pending or final adverse action from or has been placed on sanction by any other recognized accreditor or if a state has issued a pending or final action that affects the institution's legal status or authority to grant degrees.
10. The institution notifies applicable constituents whenever HLC has required it to submit a Provisional Plan for approval, and provides an accurate explanation as to the rationale for that Provisional Plan.
11. The institution accepts that HLC will, in the interest of transparency to the public, publish outcomes from its accreditation process in accordance with HLC policy.
12. The institution portrays its accreditation status with HLC clearly to the public, including the status of its branch campuses and related entities. The institution posts the electronic version of HLC's

Mark of Accreditation Status in at least one place on its website, linking users directly to the institution's status on HLC's website.

13. The institution provides its constituents and applicants with any Public Disclosure Notice or Public Statement it receives from HLC and accurately communicates the significance of, and underlying reasons for, such Public Disclosure Notice or Public Statement as required by HLC.
14. The institution maintains prominently on its website a telephone number that includes an option for both current students and the public to speak with a representative of the institution.
15. The institution ensures that any information submitted to HLC generally will not include unredacted personally identifiable information (PII). If the institution submits information with unredacted PII because it is necessary for evaluative purposes or otherwise, it will clearly identify the information as such, if applicable.
16. The institution submits timely payment of dues and fees in accordance with the published Dues and Fees Schedule and accepts the fact of surcharges for late payment.
17. The institution agrees to accept binding arbitration regarding actions by HLC, including adverse actions, that the institution disputes and is not able to resolve through HLC's processes. The institution agrees to grant immunity to HLC from claims of civil liability related to decisions made by HLC in the course of its work of accrediting institutions provided that HLC was acting in good faith and within the scope of its responsibilities.
18. The institution agrees that in the event it, or any third party, takes legal action against HLC related to any accreditation action or makes any legal inquiries of HLC related to the institution, the institution shall, to the extent allowed by law, be responsible for all expenses, including but not limited to attorneys' fees, expert witness, and related fees, incurred by HLC in responding to such legal inquiries and/or defending the action.

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#### Policy History

Last Revised: February 2023

First Adopted: January 1983

Revision History: Renumbered February 2010, February 2012, June 2013, February 2017, June 2019 (effective September 2020), June 2020, November 2020, February 2022, June 2022, November 2022, February 2023

Notes: Policies combined November 2012 – 1.6, 2013 – 1.6(a), 1.6(b), 1.6(b)1. In February 2021, references to the Higher Learning Commission as “the Commission” were replaced with the term

“HLC.”

Related Policies: