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JAN 1 1975  
DOW, LOHNES & ALBERTSON

1225 CONNECTICUT AVENUE

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DONALD D. WEAR, JR.  
JOHN H. MARPLE  
MICHAEL J. MCCARTHY

December 31, 1974

Advance Schools, Inc.  
5900 Northwest Highway  
Chicago, Illinois 60631

ATTENTION: Fred C. Lochmann  
General Counsel

Gentlemen:

You have requested our opinion on the extent of the insurance coverage on loans insured under the Federally Insured Student Loan Program ("FISL") in the circumstances set forth below. In giving this opinion, we have examined certain documents provided to us by Fred C. Lochmann, General Counsel. In addition, other facts have been provided to us in conversations with Mr. Lochmann and Charles Chase of your Company.

I. Facts

Advance Schools, Inc. ("Advance") is a home study educational institution and is the largest educational lender under FISL. Upon enrollment of a student, Advance enters into a retail installment contract to provide instruction to the student in one or more vocational subjects. The student has the option of paying the full amount of his tuition in cash or to finance the tuition by a variety of means, the least expensive of which is by obtaining a loan under FISL. If a student wishes to finance his tuition under FISL, Advance does not lend him cash, but accepts a note executed on Office of Education ("OE") Form 1164 in the amount of the student's tuition. Under the terms of an FISL loan, the student is not obligated to make any payments of principal or interest prior to the expiration of nine months following the termination of his course of study.

In order to raise working capital, Advance sells student loans to banks for their full face amount, with notice

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of sale being given to each student. Since the sale proceeds are used by Advance for working capital, they are not directly traceable to the performance of services for the student-borrower. Under the terms of the purchase agreements with the various banks, Advance is obligated to repurchase a student's loan for its full face amount, less any student prepayments, at such time as the student either completes his course of study, cancels his enrollment or is terminated by Advance. Since the interest rate on Federally insured student loans is substantially less than the banks could earn on other investments, the banks purchase the loans in reliance on the Federal insurance covering the full amount of the loans and thereby making them economic investments.

The tuition contract entered into by the student provides that, if the student completes one or more lessons, he is obligated to pay \$70.00 plus a pro rata amount for each completed lesson, computed by subtracting \$70.00 from the total tuition charge and dividing the result by the number of lessons in the course. The excess tuition charge is to be refunded to the student. In the case of a student who makes a cash tuition payment, this refund would be in cash. In the case of a student who finances his tuition, this refund would be in the form of an offset against his loan pursuant to a power of attorney given by the student to Advance.

## II. Question Presented

The question which has been raised by the banks participating in Advance's sale program is whether, in the event Advance is unable to honor its repurchase and refund obligations, the student defaults in his payment of the loan and the loan is still owned by the bank, the Federal insurance covers the full amount of the loan or only the amount of the loan minus any refund due to the student from Advance. Although the matter is not free from doubt, we believe that the better view is that the insurance covers the full amount of the loan excepting only such amount by which the loan may be reduced by reason of student payments.

While we are aware of the so-called Mable Greene Note, the facts involved there are distinguishable from the present situation, since the amount of the refund due the student was apparently applied to reduce the amount of the student's loan held by a financial institution. In such a case, it is clear that the Federal insurance covers

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no more than the reduced amount of the loan. The situation involved in the present case, however, is one in which the bank has received no payment, with the result that the principal amount of the loan is still the amount disbursed by the bank. The remainder of this letter will be based on the assumption that no pre-payments have been made and will address itself only to the situation in which a refund is due to the student because of his failure to complete his full course of study.

### III. Statute and Regulations

Section 429 of the Higher Education Act of 1965, as amended, (the "Act"), 20 U.S.C. §1079, authorizes the Commissioner of Education (the "Commissioner") to insure student loans made by eligible lenders and permits transfer of insured loans between eligible lenders pursuant to regulations promulgated by the Commissioner. Section 430 of the Act, 20 U.S.C. §1080, provides that, upon default by a student borrower, the Commissioner shall pay to the insured the amount of the loss sustained by the insured upon the loan. The Section also defines the amount of the loss as an amount equal to the unpaid balance of the principal amount and interest on the loan.

These statutes are implemented by regulations found in Part 177 of Title 45 of the Code of Federal Regulations. These regulations are incorporated into the Contract of Insurance issued to an eligible lender which provides that loans will be insured and administered in conformity with the Act and the regulations. The regulations provide that the Commissioner will enter into agreements with eligible lenders insuring losses resulting from the failure of borrowers to repay the principal amount of insured loans. 45 C.F.R. §177.42(a) (1974). The insurance covers all disbursements made pursuant to the loan, 45 C.F.R. §177.42(b) (1974), and the amount of the loss on any insured loan "shall be the amount equal to the unpaid balance of the principal amount of such loan." 45 C.F.R. §177.42(d) (1974). Apparently, the discrepancy between this regulation and the statute referred to above is due to the fact that the regulation was promulgated prior to

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the amendment to the statute permitting the insurance to cover interest. Under the provisions of 45 C.F.R. §177.49 (1974), an eligible lender is permitted to transfer insured loans to other eligible lenders and in the event of transfer, the insurance coverage remains in full force and effect.

#### IV. State Law Aspects

If the transaction is viewed solely from the standpoint of State law, the unpaid principal balance of the student's loan could be considered to be an amount equal to the original principal amount minus the amount of any refund due to the student. If Advance were to attempt to sue the student for the full amount of the loan, it appears that the student could successfully assert the defense that he was not liable for more than the original amount of the loan minus any refund attributable to the portion of the course which he did not complete.

Although it is not clear which State law would be applied in construing the rights of Advance, it appears that, under the commercial law of most states, the banks could not claim rights greater than those of Advance. The note executed by the student in connection with the loan is not a negotiable instrument since it lacks the specific words of negotiability, that is, it is not payable to order or to bearer, but is merely a statement that the maker will pay a specified amount to Advance. It is unclear whether the note is payable at a definite time and whether it contains an unconditional promise to pay. If the note does not contain these two additional elements of a negotiable instrument, it is not only non-negotiable, but also it is simply a contract and is not covered by the provisions of the Uniform Commercial Code. It appears, however, that the classification of the note is irrelevant in determining the rights of the banks.

If the note is a "non-negotiable instrument" which merely lacks words of negotiability, it is, nevertheless, subject to the provisions of the Uniform Commercial Code pursuant to Section 3-805, but no holder of the note could become a holder in due course. Thus, the

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rights of the bank would be governed by Section 3-306 of the Code providing that all persons who are not holders in due course take instruments subject to any defenses which would be available in an action on a simple contract or the defenses of want or failure of consideration. In addition, the provisions of Section 3-119 of the Code to the effect that the terms of the note may be modified or affected by any other agreement executed as a part of the same transaction would apply in determining the bank's rights. Accordingly, we believe that the bank would probably have no greater claim against a student than Advance itself would have, and thus could sue the student only for the earned portion of the tuition, that is, the original amount less any refund due to the student.

If, on the other hand, the note is not a non-negotiable instrument, it is merely a contract. Assuming that the sale to the bank under the purchase agreement is an assignment of Advance's rights against the student to the bank, nevertheless, we believe that the bank would, as a general rule, be subject to all of the defenses which the student could assert against Advance. 3 Williston, Contracts, §432 (3rd Ed. 1960). Even though notice of the assignment is given to the student, this would not prevent the student from asserting a defense arising from the terms of the enrollment agreement itself, i.e., that the amount of the student's debt is limited to the earned portion of the tuition.

#### V. Federal Law Aspects

While the liability of the student and the rights of the bank and the school on the student's note are governed by State law, the question presented is not one of State law, but of Federal law. The Federal government has undertaken to insure student loans pursuant to its own statutes and regulations. These statutes and regulations are imposed upon an existing system of State law and economic practice. In construing the Federal statutes and regulations, it is necessary to take into consideration the full economic substance of the transaction.

When considered from this viewpoint, rather than from the viewpoint of State law, it appears that the bank

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is really the lender in this case and should be entitled to the full insurance protection. When a student finances his tuition under FISL, Advance neither immediately disburses nor receives cash. Nevertheless, it requires funds in order to operate and obtains them by selling student loans to banks. However, the provisions of 45 C.F.R. §177.6(e) prohibit an educational lender from transferring loans at a discount. Thus, the banks which purchase loans from Advance are required to pay the full amount of the loan.

Advance's practice is not distinguishable from the situation in which a bank makes a loan directly to a student who then pays cash to a school for the amount of his tuition. In such a case, the student is clearly indebted to the bank for the full amount of the loan regardless of whether the student is eligible for a refund from the school. From the point of view of the bank, the substance of the transaction in the present case is the same. In either case, the funds are not traceable to the performance of educational services on behalf of any particular student. In either situation, the bank actually disburses the full amount of the loan for the benefit of the student. The only difference is that, in the present situation, Advance performs certain functions which would otherwise be performed by the bank, such as investigation of the student's credit and processing of the insurance application. These mechanical details, however, do not affect the fact that the bank disburses the loan to finance the student's tuition in each case. Because the substance of the transaction is the same, it is apparent that in each case the real lender is the bank and the real loan is the disbursement of funds by the bank. Accordingly, the amount of the insured loan should be the same in each case, i.e., the amount of money disbursed by the bank.

Regardless of the rights of the parties under State law, it is clear that, from the standpoint of Federal law, the bank is the lender and the amount of its disbursement is the loan which is covered by the Federal insurance. Under the provisions of Section 430(b) of the Act, the Federal government is subrogated to the rights of the lender upon payment of the insurance claim. It appears that the obligation undertaken by the Federal government is to fully reimburse the lender for the amount of the loan and to step into the shoes of the lender in any proceedings which may subsequently be brought under State law to collect upon the student's note. It is apparent, therefore, that

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there are two levels of legal obligations involved in the present situation, those imposed by State law and those imposed by Federal law. Under Federal law, the government has undertaken to protect the lender from the risk of default on student loans and to accept that risk itself. Viewed in this manner, it appears that the Federal insurance covers the full amount of the loan unreduced by the amount of any refund which may be due to the student.

## VI. Conclusion

The real question is not the rights of the various parties under state commercial or contract law, but the proper construction of a Federal statute and regulation, the purpose of which is to guarantee lenders and thus facilitate credit to students for educational purposes. It is clear from the legislative history of the Act that the intent of Congress was to involve banks and other financial institutions in making loans to students through the vehicle of providing government insurance of the loans. See, e.g., S. Rep. No. 673, 89th Cong., 1st Sess. (1965), 1965 U.S. Code Cong. & Admin. News, p. 4059 et seq.; H.R. Rep. No. 1319, 90th Cong., 2nd Sess., 1968 U.S. Code Cong. & Admin. News, pp. 3116, 3124-31. Like most educational lenders, Advance must sell its student loans to raise working capital, a situation which is contemplated under applicable regulations and has existed for a substantial period of time. This method of educational financing facilitates the purpose of the Act by removing the administrative burden of making student loans from the banks, but the substance of the transaction reveals that the bank is as much the lender as in the case in which the loan is made directly by the bank. The full insurance coverage by the government is consistent with both the substance of the transaction, the policy of the Act and the provisions of the regulations. Therefore, while the matter is not free from doubt, we believe that the proper interpretation of the regulations is that the banks are lenders entitled to insurance protection and that the amount of the insurance coverage is the amount disbursed by the bank minus any actual payments received by the bank, but not reduced by any refund due to the student.

Very truly yours,

*Dow, Lohnes & Albertson*

Dow, Lohnes & Albertson

 advance schools, inc.

5506 NORTHWEST HIGHWAY, CHICAGO, ILLINOIS 60631

SHERMAN C. CHRISTENSEN  
OFFICE OF THE PRESIDENT

December 23, 1974

Mr. Kenneth A. Kohl  
Associate Commissioner  
Office of Guaranteed Student Loans  
Department of Health, Education and  
Welfare  
Washington, D. C. 20202

Dear Mr. Kohl:

A question as to the extent of the guarantee covering federally insured student loans ("FISL") has been raised by the commercial lenders who deal with Advance Schools, Inc. ("Advance").

This letter will describe the operational procedures of Advance with relation to those students who participate in the Guaranteed Student Loan Program. For your information, under separate cover we have requested the law firm of Dow, Lohnes & Albertson to send you its discussion of the issue and the firm's conclusionary views.

When a student applies for enrollment at Advance, he signs a contractual obligation which stipulates the tuition agreement. (See Exhibit "A"). A part of that agreement is the tuition refund policy of Advance. This is an essential part of the tuition contract for the student who remits his tuition prior to the commencement of his training. If a student is unable to pay cash for his course a variety of financing plans are available to him, the most economical of which (to the student) is FISL.

Should the student desire to participate in FISL he completes all the forms as required by the Program. (See attached Exhibits "B", "C", "D", and "E"). In addition, we request the student to complete a Power of Attorney Assignment form (see attached Exhibit "F") in order that should the loan be approved, and should the student's active student status cease for any reason prior to course completion with a tuition refund due, the student's refund might be applied to his unpaid principal balance, as a student prepayment, effectively, in order that the loan

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balance may be reduced. Absent the power of attorney the student would be the recipient of the refund. We are of the opinion that the assignment of power of attorney and subsequent application of refund to reduce the unpaid principal balance of the loans has been signal in the reduction of default, so we, therefore, encourage the protection of both the government's and the student's interests through such an assignment.

As an educational lender in FISL our lending function disburses the full amount of the loan at the outset of the course, so that the student might be enabled to meet his tuition payment obligation stipulated in his tuition contract.

In order that other students might be similarly served and that cash for our lending function might be obtained, we sell these loans to commercial lenders pursuant to the terms of an agreement drawn between Advance and the commercial lender. Our agreements are rather unique in that they provide for our repurchase of the loans upon their "maturation". "Maturation" for purposes of such agreements, is that point in time thirty (30) days after (i) a student's graduation, (ii) withdrawal from the course by the student, or (iii) termination of the student's enrollment by Advance. In this way we will service out the note and, further have found this consistency of contact (as far as the student is concerned) to facilitate repayment, thus, again, reducing default. (For a typical example of our agreements with commercial lenders see Exhibit "G".)

Upon Advance's sale of the loan to a commercial lender, the lender disburses the full amount of the loan as required by 45CFR Sec. 177.6(e). Concomitant with the sale is the prompt notification to the student by Advance of the transfer of his loan, informing him of the lender to whom his loan has been transferred (see Exhibit "H").

Our notification to the student of the transfer of his loan is thorough. At the time of the student's application for FISL we provide him with a booklet describing the loan program in detail. In our efforts to reduce default we find it beneficial to inform the student clearly and in several ways that he is applying for a loan and not a grant and that repayment is



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expected. Further, we encourage the student to make prepayments prior to the expiration of the grace period because this, in reality, benefits both the government and the student.

One of the vehicles for this communication is the attached booklet referenced above. (See Exhibit "I") You will note that on page 3 there is the statement:

"...It is your obligation to keep your lender (emphasis added) informed of changes of address, school or student status. After the expiration date or completion of your course or withdrawal from the school, whichever comes first, you must contact your lender to arrange for repayment of the loan..."

Finally on page 3 we inform the student:

"When making payments to your lender it is best to use a personal check or money order. All checks or money orders should be made payable to the financing institution indicated by A.S.I...."

As you can see, the student is apprised of the potential of dealing with a lender other than Advance. Then, upon the actual transfer, he is informed of the identity of the lender. (Exhibit "H") Thus, any prepayments made by the student are sent to the lender holding his loan so that his unpaid principal balance might be reduced.

In the interest of expedient processing of any prepayments by students, we have subsequently revised the above referenced booklet to request that students deal directly with Advance rather than their lender. [See Exhibit "I(a)"] Our experience has demonstrated that we can more efficiently collect and remit to the lender holding the student's loan than any alternative method.

When the student ceases to be an active student (due to graduation, termination by Advance, or withdrawal from the course) we repurchase his loan from the lender. Should withdrawal or termination occur prior to completion of the course, a refund of tuition is due the student pursuant to the terms of the tuition contract. As mentioned above, because our students grant us a power of attorney, we may direct the refund to the unpaid principal balance of the loan rather than directly to the student. In this manner the refund is actually a prepayment by the student, facilitated by our administrative procedures.



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During the fifth month following the cessation of the student's active status, we send him a repayment schedule requesting his signature and the return of the schedule. This repayment schedule indicates the original amount of the loan and any amount by which the unpaid balance (original amount) may have been reduced due to prepayment. (See Exhibit "J")

At the time of repurchase and subsequent maturation, Advance services out the loan, but if Advance were not to repurchase the loan for any reason whatsoever, the commercial lenders would need to service out the loan, utilizing their own collection functions, or otherwise provide for such necessary activity.

This, then, describes the participation of Advance and its students in the Guaranteed Student Loan Program.

Although a question has been raised by the commercial lenders about the extent of the guarantee, we feel that review of the legislation, the legislative history, the regulations, and our administrative procedures answers rather than asks any question of the extent of the guarantee.

Quite obviously the intent of the program was to facilitate universal student access to postsecondary education by reducing financial impediments. This would be accomplished by inducing the extension of credit to students for educational needs by commercial lenders. Realizing that the fixed low yield of the loan notes would not, in itself, provide incentive and would be more likely to discourage participation, the Congress had to provide the lending community with an incentive, and that was the guarantee that there would be no capital loss ever sustained by a commercial lender.

The Congress, in its wisdom, also realized that some educational institutions were either in locations not served by commercial lenders or that the lenders in a particular location were not adequately capitalized to finance the students of the institution. In addition, the home study divisions of colleges as well as private home study schools have students who reside in disparate parts of the country and abroad. These students, in particular, would have difficulty



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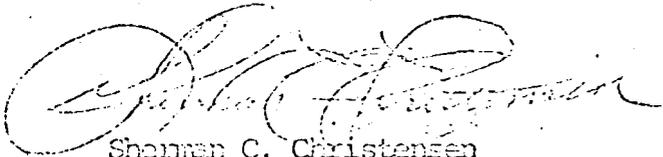
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individually obtaining financing. To solve these problems, the Congress authorized educational institutions to become lenders.

Another potential deterrent for commercial lender participation was again dispelled by the guarantee. This potential deterrent was the requirement of 45 CFR Sec. 177.6(e) that educational lenders sell or transfer their loan paper only at full value. Anyone familiar with commercial banking knows that no lender would consider purchasing a low yield note with potential for default at least commensurate with historical bad debt and a prohibition from discounting to cover such potential loss. As alluded to above, the full guarantee of the full amount of the loan is the redeeming factor which encourages commercial lender participation.

Accordingly, we hereby respectfully request of your office a clarification of the extent of the guarantee covering FISL in response to the expression of interest and concern by our commercial lenders. Your prompt attention to this matter is greatly appreciated. Should you have any question or require additional information, please do not hesitate to contact us.

Sincerely,



Sherman C. Christensen  
President

CVC/FCL/pw

cc: John B. Ackley



JAN 20 1975



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF EDUCATION  
WASHINGTON, D.C. 20202

January 17, 1975

Mr. Sherman C. Christensen  
President  
Advance Schools, Inc.  
5900 Northwest Highway  
Chicago, Illinois 60631

Dear Mr. Christensen:

This is in response to your letter of December 23, 1974, in which you request clarification as to the extent of the Federal guarantee under the Federal Insured Student Loan Program, particularly as it pertains to the lending activities of Advance Schools ("Advance"). We have carefully considered the points made in your letter, as well as those in the letter of the same date from Mr. Patrick H. Allen, of the law firm of Dow, Holmes and Albertson, and a letter dated January 2, 1975, from the same law firm to Advance, a copy of which was furnished to us by Mr. Fred C. Lochman of your staff.

You indicate in your letter that a student at Advance who desires a federally insured student loan may receive it from Advance, acting in its capacity as an approved, eligible lender. The student is asked to sign an "authorizations certificate" which, *inter alia*, states that any refund which may become due to him from Advance will be paid to "the lender" and will be applied against the outstanding principal balance of the loan. The loan is disbursed in its entirety at the time the student begins his course and, in order for Advance to have cash resources for administering its program, the loan is subsequently sold to a commercial lender, with notice being provided to the student that such sale has been made. Under the terms of the agreement between Advance and the commercial lender, Advance is obligated to repurchase the loan from the lender upon the student's graduation, his withdrawal from his course, or the termination of his enrollment by Advance. Advance is then responsible for all further servicing and collection on the loan.

So long as the lending activities of Advance are carried out in this manner, it would appear that no concerns or problems should arise regarding the extent of the Federal guarantee. The concern, as we understand it, is raised by the commercial lenders with respect to the situation that would arise if Advance, for any reason, were not to repurchase the loan and the lenders were therefore responsible for servicing and collecting the loan. In particular, the lenders are seeking a clarification of the extent of the Federal guarantee in the case that a student has become

entitled to a refund from Advance, but the refund has not been paid to either the student or the lender.

As you point out, the Federal Insured Student Loan Program ("FISL Program") is intended to enable students to finance their postsecondary education by encouraging lenders to provide funds which might not otherwise be available for such purpose. Consistent with this purpose, we welcome the participation in the program of eligible lenders which follow sound and established practices regarding federally insured student loans. We have no desire to adopt policies which would conflict with what lenders might expect from the Office of Education on the basis of such practices. On the other hand, in the exercise of our statutory responsibility for the administration of the FISL Program, we must not adopt policies which would be inconsistent with the duties and obligations which Congress has imposed on lenders and on the Office of Education, even if such responsibilities do not conform to some of the perceptions or expectations which lenders may have formed with regard to the program. In this regard, we do not concur with the rather absolute statement, on page 4 of your letter, that Congress has provided a guarantee that there would be no capital loss ever sustained by a commercial lender.

To state the matter succinctly, in carrying out our statutory authority and responsibilities, our policy objectives are to promote student accessibility to the FISL Program; to hold institutions and lenders to sound and diligent practices in their participation in the program, including providing the student with clear and timely explanations of his obligations and rights; and to provide reasonable assurances to lenders who conform to such standards that their investment will be protected.

I.

It is our present policy to honor a default claim submitted by a commercial lender on a loan which was originated by an institution of higher education (or vocational school) and assigned to the lender, including any amount in such claim which represents a refund which is due to the student borrower from the institution, provided that all of the following conditions have been met:

- (1) the student's right to the refund has come into existence subsequent to the assignment of the loan to the lender;
- (2) the student was notified promptly when the loan has been assigned to the commercial lender and was fully advised of his obligations and rights with regard to the institution and the commercial lender, respectively;

- (3) if the institution does not intend to pay the refund directly to the student, either because the student has agreed that the refund shall be applied against the outstanding balance of his loan or for any other reason, the institution has promptly notified the lender that such refund has become due and should be treated by the lender as an amount receivable from the institution;
- (4) the lender has made a reasonable effort to collect the amount of the refund from the institution; and
- (5) the institution and the lender have otherwise exercised reasonable care and diligence and have complied with all other statutory and regulatory requirements.

Please note that the current regulations for the FISL Program, at 45 CFR 177.49 (b), require that the student borrower be given notice of an assignment of his loan. The notice may be given by either the institution or the lender to whom the loan is assigned; however, if the lender relies on the institution to do so, it will also bear the risk that such notice is not given.

In our view, when all of the conditions set forth above are met, our policy will result in appropriate protection for both the student and the lender. The student will not be subjected to collection efforts for amounts greater than he is responsible for repaying. The lender will be expected to meet a requirement for reviewing the practices and capabilities of the institution with which it proposes to do business and to make a sound business judgment whether to proceed. The lender will also be expected to make reasonable efforts to collect the amount from the educational institution but will otherwise be protected on its purchase of the loan. In particular, the Office of Education will, in large measure, assume the responsibility for seeking the collection of the earned refund from the school. (In this regard, we note our expectation to publish in the near future regulations requiring each institution to provide fair and equitable refunds. The enforcement of such regulations will properly be the role of the Office of Education and the regulations will include appropriate procedures for such enforcement.)

## II.

In view of the generalized nature of the concern being expressed by the lenders, it appears desirable to set forth two additional points in further elaboration of the policy stated above. If the lender authorizes or knowingly permits the institution to collect or receive payments from the student borrower subsequent to the transfer of the loan to the lender, the Office of Education will not honor a default claim submitted by the lender as to any amount therein which is attributable to such payments made to the institution, but not forwarded by the institution to the lender. We believe this to be a straightforward restatement of generally applicable

commercial law and generally understood commercial practice. Again, it serves to protect the student borrower and to place on the lender a reasonable responsibility for knowing the institution with which it deals,

In addition, if a student borrower is not able to complete the program of study for the particular period of time for which he obtained the FISL loan, due to the fact that the institution has discontinued its teaching activities during that period of time. The Office of Education will not honor a default claim from the lender for any amount therein which is attributable to the loss to the student for the portion of the program of study which he was not able to complete. In other words, we are differentiating between the case in which the institution continues to operate, but fails to pay an earned refund, and the case in which the institution ceases to operate its academic functions. In our view, the latter situation goes to the very substance of the student's contract or agreement with the institution. In the parlance of generally applicable commercial law, we view this situation as involving a failure of consideration on the initial transaction, thereby giving rise to the defense on the part of the student which is good against the lender irrespective of the receipt of notice that the loan has been transferred. In terminology comparable to that used above, the responsibility being placed on the lender includes a reasonable judgment that the institution has the resources and administrative capability to provide the services for which the student has entered into his contract.

### III.

We have reviewed the various documents which you were kind enough to attach to your letter. We are aware that when the documents and forms being used by Advance were prepared there was an expectation that the issues under discussion in this letter would not arise.

We are suggesting modifications which we believe would bring prospective practices more in line with the policy statements set forth above. They in no way affect the application of prior comments to your past practices.

We are concerned that the package of materials and forms presented to the student convey to him the overall image that the student's enrollment contract, Advance's tuition refund policy, and his FISL loan, even after transfer to another lender, are merely elements of a unitary package of rights and responsibilities which are inseparable and are not affected in any manner by the transfer of the loan to another lender. More specifically, we believe the student is not adequately advised of the nature of his potential responsibilities to the lender, the consequences of his making payments to Advance subsequent to the transfer, and the full consequences of the "Authorization Certificate for the Guaranteed Student Loan Program" (Exhibit "F" to your letter) which he has signed. The notice of transfer (Exhibit "H" to your letter) does not appear to be adequate for this purpose, but rather to contribute to the overall perception that there is no real significance to the transfer.

We recommend the following changes:

(1) Since the "Authorization Certificate", as now worded, appears to refer to Advance in two capacities -- both as lender and as school -- there is a serious ambiguity in the reference to "the lender" in the last sentence of the form. While this could be read to include a subsequent transferee lender, it is also highly probable that it is often read to mean Advance itself. If you wish to have an arrangement with the student and the lenders, whereby you will not make any refund payments directly to the student but will apply the refund to the student's loan being held (or which might continue to be held) by the lender, we suggest that the form be expanded and that it specify that the refund will be made to whichever lender is holding the note at the time the refund becomes due. The form should also specify that, in any event, Advance will notify the holder that a refund is due and that the student's outstanding loan obligation will be reduced in the amount of the refund. If you do not wish to have this kind of arrangement with the student and the lenders, and do not use a power of attorney form, then the documentation which is given to the student should explain that, in the event that the loan is transferred to another lender, the refund is a separate element from the student's loan obligation; and in that situation, even though the student may be entitled to a refund from Advance, he will still be obligated to the lender for the full amount of the loan.

(2) The form letter used to notify the student that his loan has been transferred to another lender (Exhibit "H") now states that "this does not affect your . . . loan obligation", thereby creating the impression that there has been no change in the student's responsibilities to any of the parties. We recommend that this letter discuss in more detail the expectation that Advance will repurchase the loan before it goes into repayment status and the fact that if that repurchase does not take place, the student's repayment obligations will be to the lender or to such other party as the lender designates. If you wish to continue the current practice of making collections on loans held by the lenders on their behalf, we recommend that this form further indicate that this is being done with the permission of the lender and that the student will not be subjected to double collections. The lenders will, of course, have to approve such a statement; and it would seem necessary for the form, if it is to continue to come from Advance, to carry some indication of such approval, such as the signature of an official of the lender. It would also be desirable that this form reiterate the arrangements regarding the payments of refunds directly to the holder of the loan and the consequences thereof.

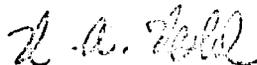
It may also be desirable to make further changes in your materials, including appropriate changes in the "Retail Installment Contract" (Exhibit "A" to your letter) which will clarify the separation of the various elements -- the enrollment contract, the refund policy, and the FISL loan. We recommend that you review all of the documents and materials distributed

Page 6 -- Mr. Christensen

to your students, with the viewpoint of clarifying their rights and responsibilities, consistent with the policies set forth in this letter.

I sincerely hope that this letter serves to clarify Office of Education policy on those issues which have given rise to your concerns and those of the lenders with whom you do business.

Sincerely,



K. A. Kohl  
Associate Commissioner  
Guaranteed Student Loan Program

cc: Mr. Allen

Advance Schools, Inc. is one of the nation's largest home study schools for vocational training in fields such as automotive, appliance and television repair. Currently 70,000 students from all over the United States are studying with Chicago based Advance, 48,000 students graduated last year. Its typical student is in his late 20's, married, has children and is employed. Most of them are veterans.

The Company is a leader in quality education within its field and in ethical practices for dealing with its students and their financial obligations.

Its students have a high percentage of lesson completion and graduation. Professional surveys show that students believe that Advance's courses have accomplished the purposes for which they were taken.

Advance has created and represents about 10% of the Federally insured Guaranteed Student Loan program, as about 90% of its students use this method of financing their education. Advance's refund policy obligates a student to pay only for lessons completed. The school has not submitted any claims for loss, except in the case of death or bankruptcy.

To provide working capital, Advance has sold its insured student loans to banks. There are now 47 banks who hold about \$70,000,000 of guaranteed loans originated by Advance. In addition, Student Loan Marketing Association (Sallie Mae) has lent \$9 million to Advance, secured by \$11½ million in guaranteed student loans.

Advance has agreed to repurchase these loans from banks upon a student's graduation, termination or cancellation, which repurchase has been financed by the sale of new student loans. This procedure avoids the need for the banks to service repayment of the loan, a factor that has limited their direct participation in the student loan program.

Due to the high prime rate and tight credit conditions, for some months Advance has been unable to sell new student loans to banks. This has led to a liquidity problem for the School. It has been unable to repurchase paper from banks and to meet vendor obligations according to their terms.

These conditions exist despite the fact that Advance continues to operate profitably, and its operations for the three months ended December 31, 1974 were within its revised budget. Student enrollments and lessons taken are on schedule. Company has a net worth of \$11 million and it has over \$20 million in insured student loans which it has been unable to sell because of the conditions just outlined. It also has about \$9 million in demand deposits in banks, the use of which has been blocked by the banks' uncertainty about the situation. To meet this situation, Advance has reduced its operations by about a third, and created a five year financial program that will restore liquidity to the Company. This plan involves \$5 million in new secured borrowing from Sallie Mae, and Advance's banks continuing their present level of participation in the school's financing.

This plan was presented on November 21st. At this time some banks raised a question as to the coverage of federal insurance on the "unearned" portion of student loans they had purchased.



Advance sought to obtain an authoritative answer to this question, and retained special Washington counsel which stated that the insurance was effective on the unearned part of the loan. A request was also made for the Office of Education's opinion, and on January 17th, it stated that the unearned portion would be insured only so long as the school was in business.

Also in mid-January, Advance was advised by Sallie Mae that it would lend the school only \$1.5 million more and it would do this only in a manner that would give Sallie Mae an improved collateral position on its existing loans to Advance. The Company would also have to incur \$500,000 in additional annual servicing fees for its Sallie Mae borrowings.

Advance told Sallie Mae that this is an inadequate response, that it has need of \$5,000,000 as stated in November, and that the delays in response from Sallie Mae and the Office of Education have made the banking community uneasy and created severe cash problems for the Company.

If Advance goes out of business there would be about \$40,000,000 of unearned student loans in the hands of its banks, which amount would lose its insurance coverage under the recent Office of Education opinion. The entire student loan program would suffer a severe shock, creating a question if it can effectively provide financial aid to people of modest means. A number of banks would also be severely hurt by losses they could suffer under these conditions.

Last but not least, the field of vocational and home study education would lose the school and its 2,200 employees that set the standards in its field. Since governmental agencies have been urging other schools to conform to Advance's practices, their efforts to upgrade the field would also be impaired should Advance be forced out of business.

The Guaranteed Student Loan program was created to help provide financial aid, at a reasonable cost, to students of modest means. Its usefulness is not limited to higher education. In recent years a large number of people have improved their vocational skills through home study, through use of federally insured student loans. Auto, appliance refrigeration and television repairs are examples of these skills.

Since home study schools neither have endowment nor public tax support, they finance their work through the sale to banks of insured student loans, or secured borrowing against them.

This procedure has been made nearly impossible due to tight credit conditions, and a prime rate that is equal or above the return permitted on these loans. Consequently schools, who relied on the continuing sale of student loans are in a severe liquidity crunch which threatens their very existence, even though they may be doing an outstanding job in instructing students, and are operating efficiently and profitably.

The Student Loan Marketing Association, (Sallie Mae) was created to provide liquidity in the student loan market, but it has declined to assist effectively in this crisis. This is true even though Sallie Mae finances itself mainly through the sale of its own federally insured notes.

Banks which have been purchasers of this guaranteed student paper are also unwilling to participate further in the program due to uncertainty over the coverage of federal insurance created by a recent Office of Education ruling. It indicates that to the extent that a student loan, originated by a school and sold to a bank, is unearned, it is not insured if the school goes out of business. Since this is the very time the insurance would be needed, the banks' position is understandable, especially in view of potential losses; this ruling could cause on present portfolios, over \$40 million from one school's loans alone.

Banks have been generally unwilling to participate directly in the student loan program due to the costs involved in servicing the loan. Therefore, conditions caused by this ruling will eliminate the economic way for banks to participate, namely, through school-lenders "aggregating the demand" for banks.

Unless these conditions are corrected, so that Sallie Mae provides the necessary liquidity and banks are reassured on insurance coverage thousands of Americans of modest means will be denied an opportunity to advance themselves, and our economy, through self-improvement by home study of vocational skills.

# NEWS from Advance Schools, Inc.

From: Advance Schools, Inc.  
(District office street address)  
(City, State, Zip Code)

FOR INFORMATION  
(District Manager's name)  
(Office phone number)

FOR IMMEDIATE RELEASE

(Date)

## ADVANCE SCHOOLS HELPS AREA RESIDENTS REACH CAREER GOALS THROUGH HOME STUDY

More and more \_\_\_\_\_ residents are enrolling in  
(name of your city)  
vocational training courses at home by mail as a means of reaching their  
career goals, according to \_\_\_\_\_, district manager  
(your name)  
of the local office of Advance Schools, Inc.

According to \_\_\_\_\_, more than \_\_\_\_\_  
(your last name) (number of active students)  
area residents are enrolled in home-study courses from Advance Schools. The  
courses range from auto mechanics, air conditioning and refrigeration repair,  
and electrical wiring to radio and television repair, bookkeeping and accounting,  
and general office skills.

Costs range from \$745 for the basic electricity and small appliance repair  
course to \$1,865 for the radio and television service and repair course, according  
to \_\_\_\_\_. On the average, it takes about 18 months to complete  
(your last name)  
an Advance Schools home study course.

Nationally, Advance Schools ranks as one of the largest educational companies,  
with over 72,000 active students. Since 1969, the school has graduated some  
74,000 students and has an average completion and graduation rate of more than 50  
per cent. A recent audited survey of Advance Schools' graduates showed that over  
86 per cent of those responding were employed in a field related to their  
home-study training, according to \_\_\_\_\_.  
(your last name)

(more)

The Advance Schools office in \_\_\_\_\_ is located at  
(your city)  
\_\_\_\_\_. For further information about home-study vocational  
(street address)  
training, contact \_\_\_\_\_ at \_\_\_\_\_.  
(your full name) (your office phone number)

# # #

# NEWS from Advance Schools, Inc.

For: Advance Schools, Inc.  
Marketing Communications Dept.  
5900 Northwest Highway  
Chicago, Illinois 60631  
(312) 775-8585

## FACT SHEET

### ADVANCE SCHOOLS' CURRICULUM

#### Mobile Engine Service & Vehicle Maintenance

Aimed at assisting the student in developing skills for fields such as specialty mechanic, shop foreman, automotive mechanic, technical instructor or service mechanic for buses, trucks, tractors or autos, this course consists of 69 units. The student is provided with home, laboratory/shop work-kits consisting of professional-quality tool box, engine charts, battery service materials, timing light, tune-up analyzer, compression gauge, exhaust gas analyzer, and various other diagnostic and service implements.

The course comes with filmstrips, projector and instructional recordings. It usually requires about 17 months to complete and costs \$1,495.00.

#### Scientific Tuneup, Ignition, Carburetion

The purpose of this course is to assist the student in developing skills in fields such as an auto ignition tuneup service specialist, or parts manager, jobber salesman or automotive sales representative. Thirty-six instructional units which usually take nine months to complete include tools, engine charts, fuel and vacuum testing gauge, implements for battery testing and servicing, timing light, compression gauge, exhaust analyzer and additional service equipment. Cost of this course: \$1,075.00.

#### Refrigeration and Air Conditioning

The graduate of this course can qualify in a field such as refrigeration mechanics, prepared to develop into a diagnostician and service technician, inspector, instructor, troubleshooter or experimentation and testing assistant.

The 70 instructional units are accompanied by such training aids as service tools, refrigerant, refrigeration tubing, thermometer, soldering set and testing gauges, all the material to build and experiment with a complete refrigeration system, in addition to filmstrips, projector and instructional recordings. Most students complete the refrigeration and air-conditioning course in 18 months, at a cost of \$1,525.00.

(more)

### General Office

In 53 instructional units this course is aimed at assisting the student in developing skills for such fields as typist, clerk-typist, general office worker, girl or guy Friday or receptionist. Students are taught proper typing techniques on a manual typewriter, use of correct spelling, grammar and vocabulary and how to handle filing, mail and the telephone properly. Graduates are also skilled in preparing manuscripts, letters, envelopes and some of the commonly used business forms and legal documents. Training aids include a typewriter, filmstrip projector, filmstrips, dictation records and practice records. Cost is \$1,125.00.

### Bookkeeping and Elementary Accounting

Upon successful completion of this course, the ASI student will have an understanding of the basic principles of bookkeeping and accounting as well as a solid foundation for additional training as a cost accountant, budget analyst, tax accountant or auditor. He may qualify in such fields as bookkeeping or accounting.

The 50 instructional units normally require about 17 months to complete. The student is given practice worksheets, an electric adding machine, filmstrips, projector and correlated instructional recordings -- all included in a tuition cost of \$1,125.00

### Electric Service and Appliance Repair

After graduating from this course, the student is prepared to develop into a specialty technician, foreman or service manager. With some sales ability, the graduate might even advance to parts manager, salesman or even manage his own business in appliance repair, commercial and residential wiring, motor-generator repair and maintenance.

The 60 lessons are accompanied by filmstrips, projector and instructional recordings and 15 home, laboratory/shop work-kits. Service tools, soldering equipment and supplies, Vac-U-Tronic tester, neon glow lamp, vacuum gauge and many other service essentials are provided. The course includes lessons in business-building procedures, such as direct advertising and circular distribution, and teaches successful methods of developing a profitable electric service and repair business. Normally completed in 16 months, this course costs \$1,255.00.

### Basic Electricity and Small Appliance Service

Twenty-six lessons coordinated with eleven home, laboratory/shop work-kits provide the student with the background needed to develop into an electrical technician specializing in the operation, repair, and maintenance of small appliances. The course costs \$745.00 and means an investment of time amounting to about 7 months.

Among the materials provided with the course are projector, filmstrips, instructional recordings, service tools, soldering equipment and supplies, electrical parts, materials for diagnostic testing and troubleshooting equipment used in the servicing of such appliances as vacuum cleaner, oven, range, toaster, etc.

(more)

### Electric Service: Major Appliances, Motors

Students who complete this course can qualify to handle operation, repair and maintenance of motors, generators and laundry appliances, possibly even in business for themselves. Forty instructional units are accompanied by such materials as service tools, solder gun and supplies, terminal crimping set and components to build a professional ohmmeter, armature growler and pyrometer. In addition, filmstrips, projector and instructional recordings are provided as training aids.

The course costs \$895.00 and is usually completed in about 10 months.

### Electric Wiring: Heating, Oil Burners

In 32 units this course is aimed at preparing the student for a career as an electrical technician specializing in installing commercial and residential wiring, servicing heating appliances and providing oil burner service. There is potential for opening one's own business in electrical service, if the student has sales ability.

During the course of study the student receives six home, laboratory/shop work-kits and projects consisting of service tools, soldering equipment, components to build an ohmmeter and electrical-load testing unit and basic electrical parts plus filmstrips, projector and instructional recordings.

Cost is \$795.00 and the course is normally completed in 8 months.

### Radio and TV Service and Repair

The graduate of this course can qualify for the field of radio-TV service and repair -- troubleshooting radios, tape recorders, record players, hi-fi systems and black & white televisions. Or, the graduate may utilize his skills in industrial positions such as analyzer, repairman, phaser and quality controller.

The cost of \$1,865.00 includes 96 instructional units, normally completed in two years. Nineteen separate kits are supplied to the student, containing tools, testers, signal generator, vacuum-tube voltmeter, oscilloscope and radio and television assembly kits in addition to instructional recordings, filmstrips and projector.

### Color Television Service and Repair

The student of this course must have successfully completed the course in Radio and TV Service and Repair as a prerequisite. As a graduate of both, he may be eligible for more technically demanding careers in commercial and industrial fields.

# NEWS from Advance Schools, Inc.

For: Advance Schools, Inc.  
Marketing Communications Dept.  
5900 Northwest Highway  
Chicago, Illinois  
(312) 775-8585

## HANDICAPPED REHABILITATION ASSISTANCE PROGRAM

by  
Ray O'Neal  
Industrial Sales Manager for  
Advance Schools, Inc.

### THE PROBLEM

Millions of American men, women and children are afflicted with a wide variety of disabling conditions, including mental illness and retardation, orthopedic impairments, nervous-system disorders, blindness, deafness and amputations. The word "handicapped" is often used as a generic term intended to apply to all of these disabling conditions. It is not an entirely inappropriate term, for these conditions are frequently handicaps to obtaining employment.

In recent years, there has been a major emphasis to "Hire the Handicapped." This stepped-up activity enables disadvantaged citizens to move toward increased independence through training and job placement. But it should be pointed out to American business that when jobs are provided, it not only helps the individual, but also helps the taxpayer who otherwise must support the institutions that care for the handicapped. Employers must be convinced to give handicapped persons a chance in spite of preconceived notions about what those with disabilities can and cannot do. They need to understand that the handicapped have useful skills and can perform carefully selected jobs as well as their non-disabled counterparts.

(more)

## THE SOLUTION

All of us -- the handicapped, employers and society -- benefit from making full use of everyone's abilities. Emphasis should be placed on what the handicapped can do, not what they cannot do. The goal of a program should be to set the stage so that handicapped persons can help themselves and take pride in the fact that they are doing so. These programs should emphasize the ability and skill applicable to employment rather than particular handicapping factors.

Good placement of a handicapped person means using the "whole man" concept -- evaluating the candidate on the basis of his total capacity, experience, training, aptitude, skills and physical qualifications. The mark of a proper placement is when the impaired person is no longer occupationally handicapped.

In the past few years, some new approaches have been undertaken in rehabilitation training. One of these is "programmed learning" in which each handicapped student moves at his own pace through a series of packaged lesson plans. Advance Schools, Inc., one of the country's largest, privately-operated, guided, independent home-study schools, offers a wide range of technical as well as business-oriented courses suitable for use in training the handicapped.

Today, thousands of companies have enlightened employment practices concerning the hiring of the handicapped, and have made realistic evaluations of the physical demands of various jobs. Concerned companies are ready to evaluate and modify job requirements, even to the extent of creating a new position, when such an effort will enable them to tap the skills of the handicapped applicant.

(more)

We should all remember that a handicapped person is essentially the same as anyone else. As long as we know the nature of his disabilities, we can train and treat him as we would anyone else. Although today many disabled men and women are still barred from employment by negative attitudes as well as physical barriers, Americans can be proud that 8 million handicapped persons have been placed in jobs...and some 3 million prepared for work through vocational rehabilitation.

# # #

## ADVANCE SCHOOLS, INC. RADIO INTERVIEW SCRIPT

ANNCR:

AS MORE AND MORE OF US BUY A SECOND CAR, A SECOND OR EVEN THIRD TV SET, OR AN AIR CONDITIONER FOR THE BEDROOM, THE PROBLEM OF WHO'S GOING TO FIX IT WHEN IT NEEDS REPAIRING IS GETTING WORSE. TODAY, WE'RE GOING TO BE LEARNING MORE ABOUT ONE METHOD OF VOCATIONAL TRAINING FOR THE REPAIRMAN OF TOMORROW. WE'RE HAPPY TO HAVE WITH US

---

OF ADVANCE SCHOOLS, ONE OF THE LARGEST CORRESPONDENCE SCHOOLS IN THE COUNTRY, TELL ME, \_\_\_\_\_, JUST HOW BIG IS ADVANCE SCHOOLS?

ASI:

WELL, CURRENTLY WE HAVE MORE THAN 72,000 ACTIVE STUDENTS ENROLLED IN OUR HOME-STUDY COURSES.

ANNCR:

WHAT COURSES DO YOU OFFER?

ASI:

ADVANCE SCHOOLS HAS HOME-STUDY COURSES IN AUTO MECHANICS, AIR-CONDITIONING AND REFRIGERATION SERVICE AND REPAIR, ELECTRICAL WIRING, RADIO AND TELEVISION REPAIR, GENERAL OFFICE SKILLS AND DRAFTING AND BOOKKEEPING AND ACCOUNTING

ANNCR: WHAT DOES ONE OF THESE COURSES COST, AND HOW LONG DOES IT TAKE TO FINISH?

ASI: ON THE AVERAGE, OUR COURSES COST ABOUT \$1,200. THEY RANGE FROM \$745 FOR THE 26-LESSON BASIC ELECTRICITY AND SMALL APPLIANCE REPAIR COURSE TO \$1,865 FOR THE RADIO AND TELEVISION SERVICE AND REPAIR COURSE. FOR THE AVERAGE STUDENT, IT TAKES ABOUT 18 MONTHS TO COMPLETE THE COURSE.

ANNCR: WHEN YOUR STUDENTS GRADUATE, DO YOU GET THEM GOOD JOBS?

ASI: No, ADVANCE SCHOOLS PROVIDES FIRST-CLASS VOCATIONAL TRAINING. WE ARE NOT AN EMPLOYMENT AGENCY, AND YOUR LISTENERS SHOULD CAREFULLY INVESTIGATE ANY CORRESPONDENCE SCHOOL THAT PROMISES TO GET ITS STUDENTS JOBS BY ASKING FOR VERIFICATION OF JOB-ASSISTANCE CLAIMS.

ANNCR: THAT'S A GOOD POINTER FOR ANYONE CONSIDERING ENROLLING IN A CORRESPONDENCE COURSE. WHAT ARE SOME OF THE OTHER PITFALLS TO AVOID?

ASI: THE FIRST THING THAT I'D DO WOULD BE TO CHECK THE SCHOOL'S REPUTATION WITH THE LOCAL BETTER BUSINESS BUREAU AND WITH THE NATIONAL HOME STUDY COUNCIL IN WASHINGTON, D. C. ANOTHER GOOD SOURCE IS THE EDUCATION DEPARTMENT IN THE STATE CAPITOL.

ANNCR:

I'D GUESS THAT ONCE YOU CHECKED OUT THE SCHOOL, THEN YOU'D ASK FOR A SCHOOL CATALOGUE OR OTHER LITERATURE?

ASI:

THAT'S RIGHT. BUT ALSO ASK THE SCHOOL FOR THE NAMES AND PHONE NUMBERS OF SOME OF THEIR CURRENT STUDENTS AND GRADUATES HERE IN TOWN. THEN CALL THESE PEOPLE AND FIND OUT IF THE SCHOOL DELIVERED ON ALL ITS PROMISES.

ANNCR:

OK, LET'S ASSUME THAT YOU'RE TO THE POINT THAT YOU HAVE THE SCHOOL'S SALESMAN IN YOUR HOME. DO YOU HAVE ANY SUGGESTIONS ON HOW THE CONSUMER CAN BE PROTECTED?

ASI:

THE BEST ADVICE THAT I CAN GIVE IS TO CAREFULLY READ AND UNDERSTAND EVERYTHING ON THE SCHOOL CONTRACT BEFORE YOU SIGN IT. FEDERAL REGULATIONS REQUIRE A THREE-DAY COOLING-OFF PERIOD DURING WHICH YOU CAN STILL BACK OUT OF THE CONTRACT. DON'T BE RUSHED INTO ANYTHING.

ANNCR:

ALL RIGHT, LET'S ASSUME THAT EVERYTHING IS ON THE UP-AND-UP, AND YOU START THE COURSE. THEN AFTER YOU'VE BEEN AT IT FOR A MONTH OR SO, YOU DECIDE THAT YOU JUST DON'T HAVE THE TIME TO KEEP IT UP. ARE YOU \$1,200 POORER AND STUCK WITH THE COURSE?

ASI: WELL, I CAN'T SPEAK FOR ALL SCHOOLS, BUT IF YOU WERE AN ADVANCE SCHOOLS' STUDENT YOU COULD QUIT AT ANY TIME AND BE OBLIGATED FOR ONLY THE LESSONS YOU'D COMPLETED.

ANNCR: WE'VE TALKED ABOUT QUITTING, WHAT ABOUT GRADUATING? HOW MANY OF YOUR STUDENTS GRADUATE?

ASI: ON THE AVERAGE, OF EVERY 100 STUDENTS WHO BEGIN THE ADVANCE SCHOOLS' PROGRAM, 51 COMPLETE THEIR COURSE OF STUDY AND GRADUATE. THAT'S A 51 PER CENT GRADUATION RATE, WHICH IS BETTER THAN MANY COLLEGES.

ANNCR: I ASSUME THAT THE REASON MOST PEOPLE TAKE A CORRESPONDENCE COURSE IS TO GET A BETTER JOB. IF YOU DON'T OFFER JOB PLACEMENT, HOW SUCCESSFUL ARE YOUR GRADUATES IN GETTING INTO A RELATED FIELD?

ASI: YOU'RE RIGHT. IN MOST CASES, THAT'S WHAT VOCATIONAL TRAINING IS ALL ABOUT. WE RECENTLY RECEIVED THE RESULTS OF AN AUDITED SURVEY OF OUR RECENT GRADUATES. THE REPORT WAS THAT OF THOSE WHO TRIED TO GET A JOB IN A FIELD RELATED TO THEIR ADVANCE SCHOOLS' TRAINING 86 PER CENT WERE SUCCESSFUL.

ANNCR:

WELL, THANK YOU \_\_\_\_\_  
FOR GIVING US THE BENEFIT OF YOUR EXPERIENCE  
IN HOME-STUDY. I HOPE THAT SOME OF  
YOUR STUDENTS HERE WILL BE GRADUATING SOON  
TO FIX MY TV SET WHEN THE PICTURE TUBE GOES.  
I'M SURE THAT \_\_\_\_\_  
WOULD BE HAPPY TO ANSWER ANY OF OUR LISTENERS  
QUESTIONS ABOUT HOME-STUDY TRAINING. HE'S  
LISTED IN THE PHONE BOOK UNDER ADVANCE  
SCHOOLS, INC.

# NEWS from Advance Schools, Inc.

For: Advance Schools, Inc.  
Marketing Communications Dept.  
5900 Northwest Highway  
Chicago, Illinois 60631  
(312) 775-8585

FOR IMMEDIATE RELEASE

## GUIDED HOME STUDY ONE SOLUTION TO COUNTRY'S JOB-SKILL DEFICIT

Today there are an estimated 5 million Americans, including military personnel, enrolled in vocational training by correspondence. And Sherman T. Christensen, chairman of Chicago-based Advance Schools, Inc. (ASI), believes that these are the people who will have to meet America's increasing needs for skilled mechanics, repairmen and tradespeople.

Department of Labor figures show that in 1972 there were 2.8 million mechanics and repairmen in the U.S., and by their projections, the need for these skilled workers, in the country as a whole, is expected to increase rapidly through the mid-1980's. For instance, the national need for auto mechanics is expected to grow 21% between 1968 and 1980. That translates to 20,000 new openings a year in just this category. But according to data available to the Department of Labor, only just more than 13,000 are being trained annually. And this is exactly the need that Christensen feels home study can help fill. (Of course, these statistics apply to the total U.S. population. Local requirements may vary considerably.)

"The dignity of the trades is reaching new levels, and skilled tradesmen are more in demand every day, but traditional vocational training is still not the top priority in most high schools today. And small businessmen don't have the time or the teaching skills to provide on-the-job training," noted Christensen.

(more)

"Home study can thus be an effective way to learn a new trade or to upgrade a person's skills to keep up with the changing technology in our world. Our enrollment figures, alone, have increased more than 400 per cent since 1970. We believe that the reason behind this sudden interest in learning a profession at home by mail is that it is one of the best means for a person already employed who simply can't take the time for classroom learning or for someone who can't conveniently commute to school," noted Christensen.

"We're enrolling the serious student who genuinely wants to upgrade his or her job skills. Home study is a very difficult way to learn and only the truly motivated person will succeed. But for those with motivation, home study can be rewarding. In an audited study of our graduates conducted this year, we learned that of those responding who tried to find employment in work relating to their ASI training, 86.2 per cent were employed in work relating to the field of their ASI training. This number, of course, includes those who were already employed in a training-related field and upgrading their skills, as well as those who entered a new field because of their ASI training," reported Christensen.

The home-study industry has a great deal of work ahead of it, though, if it is to keep up with the increased demand for vocational training, according to Christensen. He is the first to admit that the home-study industry has a bad reputation, but he and other industry leaders are working to improve the industry's image by trying to correct the industry's problems. He also said that the industry must do a better job of selling prospective employers on the concept that a job applicant who learned his skill by home study is as well qualified as the person who learned in a residential trade school. The industry, too, must keep pace with technical advances that have the potential for improving home-study, vocational training.

(more)

Such concepts as video-taped course lessons and monitored final exams, for example, are already being investigated by ASI education experts. Christensen also envisions adapting some traditional classroom vocational courses to home study. "Welding, for instance, just couldn't be taught by home study because you simply couldn't send a welded auto fender through the mail for grading. We are considering the idea, though, of developing a welding course that would be supplemented by a trailer truck outfitted with welding equipment. This mobile classroom would be accompanied by a certified welder as an instructor. Our students could then learn welding theory by mail and then put theory into practice when the mobile classroom was in their part of the country," he explained.

Home study, Christensen feels, is also a logical vehicle for company-sponsored training programs, so valuable in the development of employee potential. "At ASI we are forecasting that a far greater share of our business will come from industry by 1977," stated Christensen.

Advance Schools, with over 72,000 active students, also offers home-study courses in such "white-collar" skills as general office, bookkeeping and accounting. "A good many enrollments in these areas are from housewives whose children are in school all day and who want to supplement their family income. Many of these women are using these new skills to help their husbands manage small businesses. Another large segment wants to be able to keep better track of family finances when they are responsible for the family's bill paying and income-tax preparation," he said.

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# NEWS from Advance Schools, Inc.

For: Advance Schools, Inc.  
Marketing Communications Dept.  
5900 Northwest Highway  
Chicago, Illinois 60631  
(312) 775-8585

FOR IMMEDIATE RELEASE

## CAREER GOALS REACHED THROUGH HOME STUDY

Students are helped to meet their career objectives by investing their money, time and effort in completing their educations through guided, independent study at home. This was the major conclusion of an audited survey of graduates of Advance Schools, Inc. (ASI).

"Most people enroll in a home-study course for one of five reasons," said S. T. Christensen, board chairman of Advance Schools. "They seek to learn a completely new skill or trade, they want to upgrade their occupational skills, or they want to supplement their income with part-time employment. Other home-study students want to become self-employed or move to higher level positions within their existing occupations."

Advance Schools, one of the largest privately-operated home-study schools in the United States, recently mailed questionnaires to more than 27,000 graduates of its four major courses of study. Designed to determine if their ASI training had helped them achieve their objectives, the survey was answered and returned by 39.9 per cent of the graduates.

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"The end result of any type of vocational training is most often measured in terms of gainful employment," said Christensen. A total of 7,911 survey respondents reported that they had attempted to find employment in work relating to their ASI training. The survey revealed that 6,818 of these graduates -- 86 per cent -- were employed in work related to the field of their ASI training. The other 1,093 survey respondents were not yet successful in their employment attempts. This number includes those who were already employed in a training-related field and upgrading their skills, as well as those who entered a new field because of their ASI training.

Nearly 44 per cent of the 11,175 graduates responding to the survey said that they had enrolled in home-study courses because they wanted to learn a completely new skill or trade. Of those who sought this goal, 68 per cent reported that they had put to use the new skills they had learned from their ASI training.

Another 15 per cent of the respondents said that upgrading occupational skills was their primary reason for home study. According to survey results, 76 per cent of these graduates reported that this goal had been achieved and that their ASI training had been of help in upgrading their skills.

Supplementing their income with part-time employment was selected as the primary reason for home study by 12 per cent of the graduates responding. According to the survey, 71 percent of the graduates who sought this goal reported that they found part-time employment in work related to their field of home-study training.

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Almost 4 per cent of the graduate respondents indicated that their motive for home study was to move to a higher-level position within their occupation. Fifty-three per cent of these graduates reported positive results and that ASI training was important in their move up.

The remaining 19 per cent of the graduates responding indicated a variety of other reasons for enrolling in home-study courses. Of these, 86 per cent felt that their ASI training would be valuable in seeking work if something happened to their present job.

"The typical student who enrolls for ASI training is a highly-motivated individual, who takes his studies and responsibilities seriously," according to Christensen. "The majority of our students complete their lessons, are graduated and will, I believe, attain the primary goals they set when they enrolled," he concluded.

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## HOME STUDY SCHOOLS: CON GAME OR TRAINING RESOURCE?

Remarks by S. T. Christensen  
Chairman, Advance Schools, Inc.

The title of a recent editorial series on the vocational training industry -- "Home-study schools: con game or wave of the future?" -- illustrates well, I think, the great confusion existing today about the industry with which I've been associated for the past 37 years.

Today, I'm going to bring you up to date on the state of the "correspondence" school business from my point of view. I believe strongly that guided, independent study at home by mail is an effective way of learning. In many cases, it is the only practical way for those who must continue to earn a living while studying in their spare time.

My company, Advance Schools, Inc., is one of more than 150 accredited member-schools of the National Home Study Council. These member-schools have a combined enrollment of 1.5 million students who are taking some 500 courses of home study.

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The total industry is much larger, and the non-accredited sector is the breeding ground for many of the public relations problems facing our business today. The Federal Trade Commission, in its consumer education program, says that there are about 10,000 private trade, technical, business and correspondence schools in the United States. Together, they have an enrollment of about 3.2 million students who spend close to \$2-billion a year on proprietary, vocational school courses. I've seen estimates even higher, saying that vocational education has become a \$2½-billion annual business.

One reason for confusion about the size of our industry is the whole area of financial reporting. There simply are no existing, consistent reporting avenues open for the sharing of information. In a nutshell -- everyone's guessing.

Learning at home is not a new educational development. Ben Franklin and Abe Lincoln both were men who educated themselves at home. But the real emergence of home study or correspondence study as a formalized educational technique began in the late 1800's.

Today, the home-study business is booming for a variety of reasons. Stacks of studies point out the urgent need for training young workers for the nation's technical industries. With the coming of the second car, the second or third television set and the air-conditioned bedroom in many homes, the need for skilled tradesmen to keep this equipment in operation becomes greater. We're finding that many retired folks are taking home-study courses to keep their hands and minds busy, and women are turning to home study, to brush up on skills or to learn new ones.

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We've found that most people enroll in a home-study course for one of five reasons. Primarily, of course, they want to learn a new skill or trade. Others want to upgrade their present skills or supplement their income with part-time jobs. Other students want to go into business for themselves or move to a better job within their own profession.

The industrial market is another growth area for us. Home study satisfies management's demand for practical results without high training costs. Its integration with both the one-person, and large-staff, training and development unit makes practical sense.

My company also sees great promise in home-study training for the vocational rehabilitation of the physically handicapped and prisoners. Here's a story that may be interesting to you.

The sister of a Bismarck, North Dakota, prison inmate asked one of our men to approach the prison's educational counselor about allowing the inmate to enroll in our electrical course. The inmate's sister had taken a home-study course with us and had recommended it to her brother.

Two major problems stood in the way. First, inmates are not allowed to have money or to enter into contractual agreements. Second, educational budgets in Bismarck Prison are tight, and funds for independent studies are not available.

At the same time, the fact is that about two-thirds of the inmates who leave prison without learning a skill return, while the skilled-inmate return rate is 15 per cent. Prison officials estimate that it costs about \$10,800 to confine one man in prison for one year.

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Our man approached local service clubs with the idea, since keeping people out of prison and in useful positions not only benefits the well-being of the former inmate and the community as a whole, but also cuts down on the amount of money needed to run the prisons.

A local Lions Club agreed to sponsor the inmate. The program is being expanded, and during the first six months of this current pilot project, we hope to enroll from 20 to 40 club-sponsored students from the inmates at Bismarck Prison.

We've been fortunate to have participated in other inmate release/employment programs across the United States. Last year, working with the Illinois Jaycees, we helped train 310 inmates released from Stateville Penitentiary. Through local service clubs across the country, we plan to work with local and state self-help organizations in giving ex-offenders an alternative to crime.

But the biggest share of the home-study market is made up of veterans. One reason for this is that many of them took government-sponsored correspondence courses while they were in the service; another is the G. I. Bill.

Our industry has come under some heavy criticism because of the importance of this veterans' market.

We feel that much of that criticism has been misdirected. After all, young veterans make up a significant segment of the population to whom home study is an important educational alternative. It's the abuse of these veterans' rights by certain unethical schools to which criticism should be leveled and to which we also strongly object.

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We employed a leading certified public accounting firm to supervise and audit a survey of more than 27,000 graduates of our four major courses of home-study. We wanted to find out if ASI training had helped them reach their career objectives. We got nearly a 40 per cent response to our survey from all types of students. This response from a survey is way above the industry average. A summary of the results is in your information kits. But here's what we learned specifically about our students who are veterans.

Of those graduates who responded who had taken their ASI training under the G. I. Bill who had tried to get a job, 86.7 per cent were employed in work relating to their ASI training.

That's a significant number, and one that we feel is a strong rebuttal to those who blindly criticize the industry for its veteran market. Home study is working in providing veterans with job skills that are useful and marketable.

A good share of the success of all our students is because we look for the highly-motivated individual who takes his studies and responsibilities seriously. Home study is a hard way to learn. It takes determination to do your lessons after you've worked a full shift that day. However, our records show that of every 100 students who begin the ASI program, 51 will complete their course of study.

This high completion rate is directly due to our rather unique marketing procedures. We don't enroll every student who wants to take an ASI course. Last year, we enrolled over 73,000 students, but we also rejected a number of other prospective students who just didn't measure up to our standards.

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The industry's biggest public relations headache in our era of consumer protection is the fast-talking, commission salesman who promises prospective students the moon in order to make a sale. Our school has combatted the "hard sell" by being the first home-study school to pay its full-time salesman a salary rather than a commission. Our people are judged on the quality of students they send us, not just the number. As far as obtaining jobs for students, no ethical home-study school should ever promise jobs for its graduates.

The Federal Trade Commission has published some suggestions on how to select the right vocational school. A copy of the FTC pamphlet is in your kits. By the way, I agree with most of the FTC check list. However, if my best friend asked me what to look out for, here's what I'd advise, before he puts his signature on the dotted line.

First, determine your own career objective. Do you want to learn a completely new skill or trade, or do you want to upgrade your job skills? Is your goal to supplement your paycheck with part-time income, or do you want to go into business for yourself?

Second, ask friends who have studied at home by mail how they would rate the courses they took. The top-notch correspondence schools enroll many of their students through referral from their graduates. If your friend had a bad experience, he is not likely to send you down the same path.

Next, write or telephone the schools which your friends recommend. Ask for copies of their course catalogues and any other descriptive information about actual content of the lessons, home-training kits and audio-visual training.

Study the catalogues carefully. See if the course offerings will actually help you in reaching your career objectives.

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Select a home-study school which is accredited by a nationally-recognized accrediting agency and which has sales representatives in your vicinity.

Ask the school you are considering for the names and addresses of recent graduates in your city or nearby area. Ask these graduates for their evaluation of the school's courses and student services. Any reputable home-study school will be glad to provide a graduate list.

Investigate the school's reputation by contacting your Better Business Bureau, your state's department of public instruction and the National Home Study Council in Washington, D.C.

If you are a veteran, check with your Veterans Administration office to determine if your G. I. Bill benefits are still in effect. Many home-study courses have been approved for 90 per cent tuition reimbursement for eligible veterans and servicemen by the Veterans Administration.

Carefully read and understand the school contract before you sign it. Federal law requires a three-day cooling-off period during which you can still back out of the contract. Advance Schools permits the student to cancel the agreement at no tuition cost or financial obligation any time before completing the first lesson. This may be as long as 30 days after signing the application. Even if the student quits after beginning the course, we charge him on a modified pro-rata basis, based on number of lessons completed, plus a minimum service charge. In addition, Advance Schools requires the prospective student to reaffirm in writing his intention to enroll.

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Finally, ask yourself if you are really going to have the determination to finish the home-study course. A successful course of study at home by mail depends as much on your discipline and ability as it does on the course materials and student services. The school provides you the opportunity to meet your career objective, but it is you who must take advantage of it.

I believe in home study. In many cases it's the only road open for the motivated person bogged down in a dead-end job. The man or woman employed in shift work simply can't attend regularly scheduled day or night classes at a residential trade school. Another portion of our more than 72,000 active students don't live within commuting distance of a trade school. Even if they do, the school's curriculum may not match up with their career objectives.

From experience, we've found that the student most likely to succeed in a program of vocational home study has been out of high school for several years. That's long enough for him to have determined a realistic evaluation of his interests, abilities and career goals. To qualify for one of our courses, the prospective student must have a high school education or the equivalent.

It's a shame, but at present, home study can't train our country's illiterate. That's because it requires that the student be able to read. We've experimented with a test project out in California to get around this problem, but we just weren't successful in avoiding the issue that basic reading-comprehension skills are a pre-requisite for most home-study courses.

However, for millions of Americans with real motivation and a desire to improve, home study is making a real contribution. Private vocational schools are an important part of this country's post-secondary education needs. I believe they are the wave of the future.

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## A 10-POINT CHECK LIST FOR HOME STUDY COURSES

Each day more people join the estimated 3.2 million Americans already enrolled in private vocational training courses. If you are planning to be among these growing numbers, here are 10 suggestions from S. T. Christensen, Chairman of Advance Schools, Inc., on what to look for in a home-study school.

1. Determine your career objective. Do you want to learn a completely new skill or trade, or do you want to upgrade your job skills? Is your goal to supplement your paycheck with part-time income, or do you want to go into business for yourself? Maybe you want to move to a better job in your present occupation.

2. Ask friends who have studied at home by mail how they would rate the course they took. Find out if they finished their courses. The top-notch correspondence schools enroll many of their new students through referral from their graduates. If your friend had a bad experience, he is not likely to send you down the same path.

3. Write or telephone the schools which your friends recommend. Ask for copies of their course catalogues and any other descriptive information about actual content of the lessons, home-training kits and audio-visual training.

4. Study the catalogues carefully. See if the course offerings will actually help you in reaching your career objective.

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5. Select a home-study school which is accredited by a nationally-recognized accrediting agency and has sales representatives in your vicinity.

6. Ask the school you are considering for the names and addresses of recent graduates in your city or nearby area. Ask these graduates for their evaluation of the school's courses and student services. Any reputable home-study school will be glad to provide a graduate list.

7. Investigate the school's reputation by contacting your Better Business Bureau, your state's department of public instruction, and the National Home Study Council in Washington, D. C.

8. If you are a veteran, check with your Veterans Administration office to determine if your G. I. Bill benefits are still in effect. Many home-study courses have been approved for 90 per cent tuition reimbursement for eligible veterans and servicemen by the Veterans Administration.

9. Carefully read and understand the school contract before you sign it. Federal law requires a three-day cooling-off period during which you can still back out of the contract. Even if you quit after beginning the course, Advance Schools charges you on a modified pro-rata basis based on number of lessons completed, plus a minimum service charge.

Advance Schools, Inc. also requires that the prospective student reaffirm in writing his intention to enroll and allows the prospective student to cancel the agreement at no tuition cost or financial obligation any time before completing the first lesson.

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10. Ask yourself if you are really going to have the determination to finish the home-study course. A successful course of study at home by mail depends as much on your discipline and ability as it does on the course materials and student services. The school provides you the opportunity to meet your career objective, but it is you who must take advantage of it.

Finally, Mr. Christensen advises, be certain you follow these 10 suggestions before you sign your name to the dotted line.

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