



March 3, 2017

Ms. Yolanda T. Duran, President  
Advance Beauty Techs Academy  
2191 Sampson Avenue, Suite 105  
Corona, California 92879-6572

Certified Mail  
Return Receipt Requested  
#: 7016 0750 0000 8026 7087

RE: Provisional Certification Alternative  
Transfer from HCM2 to HCM1  
OPE ID: 04206800

Dear Ms. Duran:

The San Francisco/Seattle School Participation Division (SPD) has removed Advance Beauty Techs Academy (ABTA) from the Heightened Cash Monitoring 2 (HCM 2) Method of Payment. ABTA has been placed on the Heightened Cash Monitoring 1 (HCM1) Method of Payment, effective immediately.

Under the HCM1 method of payment, as stated in 34 C. F. R. § 668.162(d), the institution must first make disbursements to eligible students and parents before it requests or receives funds for the amount of those disbursements from the Department of Education (Department). This "Records First" requirement is fully described in the Award Year 2016-2017 Funding Authorization and Disbursement Information eAnnouncement. The funding request may not exceed the amount of the actual disbursements that were made to the students and parents included in the funding request. Provided the student accounts are credited **and all credit balances are paid before the funding requests are initiated**, the institution is permitted to draw down funds through the Department's electronic system for grants management and payments, G5, for the amount of disbursements it made to eligible students and parents. All credit balances must be paid prior to the drawdown of funds, even if the student/parent signed a credit balance authorization form in the past. Authorization forms used prior to July 1, 2016 are no longer valid. The use of credit balance authorization forms is prohibited.

The Records First requirement also means that institutions on HCM1 that are participating in the Direct Loan (DL) program will have their Current Funding Level (CFL) reduced to the greater of Net Approved and Posted Disbursements (NAPD) or Net Draws (processed payments less all refunds, returns, offsets, and drawdown adjustments). In the event of returning to the Advanced Funded status, the institution will be expected to continue processing DL awards as Records First until the next DL global funding increase is processed.

For additional information about the Records First requirement, please refer to the following e-Announcement, <http://ifap.ed.gov/eannouncements/attachments/ImportantRemindersand1617FundingAuthandDisbursInfo.pdf>.

ABTA is required to provide information to the SPD by certified mail, legal electronic mail, or legal facsimile transmission no later than 10 days after any of the HCM1 reporting events listed below transpire, as required by 34 C. F. R. § 668.175(d)(3)(i). ABTA must also include with the information it submits, written notice that details the circumstances surrounding the event(s) and, if necessary, what steps it has taken or plans to take, to resolve the issue:

- Any adverse action, including probation or similar action, taken against ABTA by its accrediting agency, the State of California, or any federal agency;
- Any event that causes ABTA, or related entity as defined in the Statement of Financial Accounting Standards 57 (ASC 850), to realize any liability that was noted as a contingent liability in ABTA's or related entity's most recent audited financial statements;
- Any violation by ABTA of any loan agreement;
- Any failure of ABTA to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;
- Any withdrawal of owner's equity from ABTA by any means, including by declaring a dividend;
- Any extraordinary losses, as defined in accordance with the Accounting Principles Board Opinion Number 30 (ASC 225-20) (See 34 C. F. R. § 668.175(d)(2)(ii)(A - F)); or
- Any filing of a petition by ABTA for relief in bankruptcy court.

As a condition for the Auditor's Attestation Requirement, during the compliance audit, ABTA's auditor must express an opinion on its conformity with the requirements under the *Zone* alternative. This opinionated statement(s) shall include the institution's ability to implement its administration of the payment method used to receive and disburse program funds.

This foregoing action does not preclude the Department from returning ABTA to another method of payment or taking administrative action(s) against the institution.

This letter amends the current Provisional Program Participation Agreement (PPA) and must accompany your PPA documentation. All other provisions of your PPA will remain in place until the prescribed expiration date.

Advance Beauty Techs Academy

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Promptly contact Terri Tom, Payment Analyst, at (415) 486-5616 with any questions regarding ABTA's **current DL award authorization level or the Records First requirements.**

If you have any general questions regarding this letter, please contact Michael Fuller, Financial Analyst at (206) 615-3686.

Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Martina Fernandez-Rosario

Division Director

San Francisco/Seattle School Participation Division

cc: Ms. Norma Cerano, Financial Aid Director  
National Accrediting Commission of Career Arts and Sciences  
California Bureau for Private Postsecondary Education