

INSTITUTIONAL DESIGNATIONS

Institutional designations allow HLC to respond quickly to developing situations at member institutions and are used to indicate when an institution is in financial distress or under governmental investigation.

In addition to HLC's sanctions and monitoring procedures, institutional designations allow HLC to communicate to students and the public in a timely manner about situations that may affect an institution's operations.

Process and Timeline

HLC's President, after consultation with the Board of Trustees, may determine the need for an institutional designation for developing situations at member institutions. The situations that may lead to an institutional designation indicate that the institution's ability to operate may be compromised and may* include the following sources:

For Financial Distress

1. HLC staff or peer review concerns from evaluation of information obtained as part of the accreditation processes
2. News media reports confirmed by HLC
3. Other accreditors notification of actions related to finances
4. Financial auditor reports of going concern
5. Institution declaration of financial exigency or other financial emergency
6. State audit entity reports of several financial issues

A designation of financial distress due to Items 4–6 will be followed by an Advisory Visit.

For Governmental Investigations

1. HLC staff or peer review concerns from evaluation of information obtained as part of the accreditation processes
2. News media reports confirmed by HLC
3. Notification from other accreditors of actions related to investigations
4. Federal Trade Commission or Consumer Financial Protection Bureau reports of an inquiry (Civil Investigative Demand) or filing suit or consent/decree settlement
5. U.S. Department of Education report of Limitation, Suspension or Termination action or filing suit or high level enforcement action—may include Title IX or civil rights investigations at a high level
6. U.S. Department of Justice notification of joining the plaintiff in an already established whistleblower lawsuit
7. State Attorney General report of investigations or published findings or consent decrees

A designation of governmental investigation due to Items 4–6 will be followed by an Advisory Visit.

**Note: HLC's policy on institutional designations allows the flexibility for HLC's President to impose a designation based on changing conditions at the institution. This list is not comprehensive and will be updated as HLC identifies new conditions recognized by HLC, other accreditors and governmental agencies.*

When HLC's President, after consultation with the Board of Trustees, has determined the need for an institutional designation, the Chief Executive Officer and Accreditation Liaison Officer will receive a letter from HLC's President identifying the reason for the designation and requesting an institutional response.

Institutional Response

HLC expects a written response from the President or Chancellor of an institution (or chief executive by a different title) within two weeks of receipt of the designation letter. The written response should not be longer than five pages and must be submitted at [upload.hlcommission.org](https://www.hlcommission.org).

After the Institutional Response period, HLC's President will review the institution's response. (No response from the institution indicates that the institution understands the designation and chooses not to submit a response.)

If HLC's President, after consultation with the Board of Trustees, decides to impose the designation, HLC will send a letter to the institution notifying them of the designation imposition and that the designation will be public the next day. The President's action to impose a designation may not be appealed.

Statement of Accreditation Status and Public Disclosure Notice

Institutional Designations appear on the Statement of Accreditation Status on HLC's website. Designations will appear as follows:

(Institution Name) Designation: In Financial Distress

(Institution Name) Designation: Under Governmental Investigation

In addition, the Statement of Accreditation Status will include a Public Disclosure Notice with information about why the designation was imposed, what follow-up monitoring is required of the institution and the next steps in the process. HLC will send a copy of the Public Disclosure Notice to the institution with the notification of the designation imposition.

Monitoring Schedule

HLC requires that an institution with a designation submits regular reports or undergoes other HLC monitoring. A monitoring schedule for the two-year designation timeline will be established when the designation is imposed. The monitoring schedule may include an Advisory Visit, referral to the next comprehensive evaluation or interim reports.

An institution with a designation shall not be considered for a substantive change unless it can demonstrate that there is a compelling reason for the change and that the institution has sufficient resources to support the change. Any substantive change application from an institution with a designation will be subject to strict scrutiny and may be deferred until the removal of the designation, or the application may be denied.

Teach out Plans

If HLC determines that an institution is at risk for a sudden closure or suspension of its operations because it is facing significant challenges, an institution will be required to submit a Teach Out Plan. Review the [Teach Out Plan Procedure](#) for more information.

Removal of a Designation

The designation will be removed when HLC's President determines that it is no longer required because the institution has resolved the issues that led to the designation. HLC's President will re-evaluate the designation as new or additional information of significance becomes available to HLC and at the end of the two-year timeframe to determine whether the designation shall be removed.

At the end of the two-year timeframe, if HLC's President determines that the designation is still appropriate, the two-year timeframe will start again with an escalation in monitoring and the potential for an Advisory Visit.

Institutions with a designation that have new or additional information of significance should submit the new information with the next monitoring report and notify their HLC staff liaison regarding the new information.

Questions/Information

For more information on HLC designations, contact a staff liaison or email legalaffairs@hlcommission.org. 

Institutional Designations

Financial Distress. The Commission's President, after consultation with the Board of Trustees, shall have the authority to determine that an institution undergoing a significant challenge to its fiscal capacity should receive this designation. Conditions that may contribute to a designation of in financial distress include, but are not limited to: significantly diminished financial contribution from a state; significant escalation in institutional indebtedness; placement by the U.S. Department of Education on Heightened Cash Monitoring for significant reasons related to finances or financial management of the institution or any parent or superordinate entity; formal declaration by the institution of financial exigency or emergency; going concern warning by the institution's auditors; or other similar financial situation. Typically this designation will be accompanied by a finding by the Commission President that Core Component 5.A or 2.A is met with concerns.

Governmental Investigation. The Commission's President, after consultation with the Board of Trustees, shall have the authority to determine that an institution undergoing investigations by one or more governmental agency, law enforcement body, or court should receive this designation. Conditions that may contribute to a designation of under governmental investigation include, but are not limited to: investigation by one or more state attorneys general, the Federal Trade Commission, the U.S. Department of Justice or other federal agency; a notice of intended limitation, suspension or termination action by the U.S. Department of Education; or other significant investigations, litigation or enforcement action by or joined by a governmental authority related to the institution's institutional or academic operations or activities. Typically, this designation will be accompanied by a finding that Core Component 2.A is met with concerns.

Purpose and Other Details Related to Institutional Designations.

The purpose of these designations shall be to inform the public that the institution is dealing with a significant financial condition(s) or being investigated by a governmental agency. Such situations have the potential to affect the institution's operations, and the public should be aware of this information in making a decision to attend or continue to attend the institution under the designation. Any designation issued by the Commission President shall be public.

Typically, the designation will not extend more than two years. During this period the Commission shall require that the institution submit regular reports about its financial or legal situation or

undergo other regular or special monitoring, including Advisory Visits, as determined by the Commission President. An institution that has one of the above designations is not precluded from also being placed by the Commission on a sanction if appropriate. During the monitoring or evaluation process, the institution may request removal of the designation, although final determination of the appropriateness of removing the designation shall remain with the HLC President or the Board if the case is otherwise subject to the Board's review.

Substantive Change. While an Institution has a Designation. An institution in financial distress or under governmental investigation shall not be considered for a substantive change unless it can demonstrate that there is a compelling reason for the change and that the institution has sufficient resources to support the change. Any substantive change application from an institution with a current designation will be subject to strict scrutiny and may be deferred by staff or by the Institutional Actions Council for consideration by HLC after it has removed the designation, or the application may be denied.

Process for Imposing or Removing a Designation. Commission's President will notify the institution of the intent to designate the institution in one of the above categories and will allow the institution a minimum of two weeks to respond before acting with regard to the proposed designation. (Note that the institution may request up to an additional two weeks to respond if it has good cause for such an extension.) The President will take into account the institution's response in making the decision whether to impose the designation. All designations are public. The President or the Board will also determine when to remove a designation from an institution. The President will re-evaluate the designation at the end of the two-year timeframe, and during the two-year timeframe as new or additional information of significance becomes available to HLC, to determine whether the designation shall be removed. The President or the Board will remove the designation when in the President's or Board's sole judgment the designation is no longer required because the institution has resolved the issues that led to the designation. Any decision of the President or the Board related to imposing or removing a designation is final.

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Related Policies: COMM.B.10.010 Staff Role and Responsibility