

# SUBSTANTIVE CHANGE

## Overview of HLC Policies and Procedures for Institutional Changes Requiring Notification or Approval

Effective September 1, 2014

### INTRODUCTION

This document provides an overview of HLC's policies on institutional change as of September 1, 2014. **Part 1** presents current HLC policy in chart form. It identifies the categories of institutional change, defines specific types of changes for each category, and specifies HLC requirements of institutions related to these changes. **Part 2** provides an overview of the process and timeline for seeking approval of a proposed change. The policies and procedures described in this document have implications for the institution's financial aid office and its academic affairs office, so it is important that these offices communicate with each other on these matters. Additionally, to ensure that students have consistent access to Title IV federal student aid, institutions should work closely with their financial aid office to make certain that information reported to the U.S. Department of Education and HLC is consistent.

Institutions should note that HLC does not grant retroactive approvals. It is important that institutions seek and receive HLC approval before initiating institutional changes. It takes an average of six to nine months for HLC to process substantive change applications; it could take longer if it involves a complex change request or less than six months if the request is of a fairly routine nature. Institutions should also note that HLC does not permit marketing of programs until the change request application has undergone the approval process and the institution has received the official notification from HLC. Finally, institutions seeking changes of different types (program, location, distance delivery, etc.) must submit a separate application for each type of change sought.

## PART 1: CHANGES REQUIRING HLC NOTIFICATION OR APPROVAL

An institution has the obligation to report institutional changes to HLC as identified below and to seek and receive HLC approval where appropriate prior to implementing specific changes. The institution shall use HLC's change reporting protocol for this purpose.

- Changes identified as requiring **prior HLC approval** shall be included in the institution's accreditation only after HLC has reviewed the change through a process identified in this policy and formally acted to approve the change.
- Changes identified as requiring **HLC notification** are included in the institution's accreditation provided that the institution furnishes timely notification to HLC through the Institutional Update and other data reporting instruments established by HLC according to a schedule developed by HLC.

## HLC Substantive Change Policy

CATEGORY	CHANGES WITHIN THE INSTITUTION	REQUIREMENT
<b>Academic Programs</b> (See Note 1 below)	Initiation of new academic program(s) or major(s) other than those listed below, or cancellation or suspension of academic programs	HLC Notification
	The addition of academic program(s) at a degree or credential level not previously included in the institution's accreditation by HLC	Prior HLC Approval
	The addition of academic program(s), including Title IV-eligible Certificate programs not related to existing degree program(s), that represents a significant departure from program(s) previously included in the institution's accreditation	
	The addition of concentration(s) (or specialization, track, or emphasis) to mean less than half the total hours in the program of which it is a part and that the remaining hours are taken in common by all students in the program and if the concentration(s) represents a significant departure from the institution's program-level approval for the underlying program	
	The addition of academic program(s) that requires allocation of substantial financial investment or resources, or any program(s) acquired from another institution	
	Offering courses at a higher degree level or outside the range of institutional programs currently approved by HLC	
	The addition of academic program(s) outside stipulations imposed by a previous HLC action	
A change from clock to credit hours in one or more institutional programs or a substantial increase or decrease in the number of clock or credit hours awarded for successful completion of an academic program		
<b>Distance or Correspondence Education</b> (See Note 2 below)	The initiation or expansion to the next threshold, as defined by HLC, of distance or correspondence education wherein 50% or more of the courses or credits in one or more academic programs are provided through the alternate delivery	Prior HLC Approval
	Offering a third or each additional distance or correspondence education program wherein 50% or more of the courses or credits in the academic program are provided through the alternate delivery	HLC Notification, after prior approvals for initiation or expansion
<b>Branch Campus or Additional Locations</b> (See Note 3 below)	The establishment of a branch campus or an additional location	Prior HLC Approval <i>unless the institution has been approved for access to the Notification Program for Additional Locations (such access does not cover the addition of branch campuses)</i>
	The acquisition of a branch campus or an additional location from another institution, including one established or acquired in order to provide for teach-out of the students from another institution	Prior HLC Approval <i>unless the institution has been approved for access to the Notification Program for Additional Locations (such access does not cover the addition of branch campuses)</i>
	Closure or suspension for more than one semester of any of the following: 1) a course location outside the state of the institution's main campus at which an institution offers five or more courses per year, 2) an additional location, or 3) a branch campus	HLC Notification
	The establishment of a course location at either an international location or at a location outside the institution's home state at which the institution offers five or more courses per year	HLC Notification

<b>Contractual Arrangements</b>  *Institutions engaging in any contractual arrangement that could reasonably be construed as falling within this description should complete HLC’s online screening from for Contractual Arrangements on HLC’s Substantive Change webpage.	The initiation, modification or renewal of a contractual or other arrangement wherein an institution outsources some portion of one or more of its educational programs (including instruction, oversight of the curriculum, assurance of the consistency in the level and quality of instruction and in expectations of student performance and/or the establishment of the academic qualifications for instructional personnel) to any of the following parties: an unaccredited institution; an institution that is not accredited by an accreditor recognized by the U.S. Department of Education; or a corporation or other entity*:	
	24% or less of any educational program outsourced to the other party	HLC Notification
	25-50% of any educational program outsourced to the other party	Prior HLC Approval
	more than 50% of any educational program outsourced to the other party. [Note that 34 CFR 668.5(3)(ii)(A) provides that educational programs provided through contractual arrangements between an accredited institution and an ineligible entity wherein more than 50% of the educational program is being provided by the ineligible entity will not receive Title IV assistance even if approved by the accreditor]	will receive intense scrutiny and will not be approved by HLC except in exceptional circumstances
<b>Consortial Arrangements</b>	The initiation, modification or renewal of a consortial or other arrangement wherein a consortium of institution(s) accredited by an accreditor recognized by the U.S. Department of Education provides a significant portion of the academic program:	
	24% or less of the credits in a degree or certificate program are coming from the consortial partner(s)	No Requirement
	25-50% of one or more of the institution’s educational programs provided by the consortium or other accredited institution	HLC Notification
	more than 50% of one or more of the institution’s educational programs provided by the consortium or other accredited institution	Prior HLC Approval
<b>Direct Assessment Competency-based Programs</b>	An institution wishing to have direct assessment competency-based programs considered for Title IV eligibility must acquire approval from HLC prior to filing its application with the U.S. Department of Education. When determining whether to approve a direct assessment competency-based program, HLC will expect an institution to demonstrate the elements of good practice outlined in the Direct Assessment Competency-based Program Application.	Prior HLC Approval
<b>Teach-Out Arrangements</b>	The institution shall be required to submit a written teach-out plan in any of the following circumstances: (a) the U.S. Department of Education notifies HLC of an emergency action, or a limitation, suspension or termination or similar action against the institution; (b) HLC acts to withdraw, terminate or suspend the status of an institution; (c) the institution notifies HLC that it intends to cease or suspend operations or permanently close a location where it offers 100% of either a Certificate or degree program before all students have completed their program of study; or (d) a state licensing or authorizing agency notifies HLC that an institution’s license or legal authorization to provide an educational program in that state has been or will be revoked.	Prior HLC Approval
<b>Mission</b>	Changes in actual or apparent mission of the institution or its educational objectives	Prior HLC Approval
<b>Student Body</b>	Significant changes in the character or nature of the student body of the institution, particularly, but not limited to, those changes involved in seeking international students for the first time or acquiring students being taught-out of programs provided by a closing institution	Prior HLC Approval

<p><b>Change of Control, Structure, or Organization</b></p>	<p>An institution shall receive HLC approval prior to undergoing a transaction that affects, or may affect, how corporate control<sup>1</sup>, structure or governance occurs at the accredited or candidate institution (hereinafter the “affiliated institution”).</p> <p>Approval of the transaction resulting in the Change of Control, Structure, or Organization shall be necessary prior to its consummation to effectuate the continued accreditation of the institution subsequent to the closing of the proposed transaction.</p> <p>The transactions that require prior HLC approval<sup>2</sup> include, but are not limited to, the following:</p> <ol style="list-style-type: none"> <li>1. Sale or transfer to, or acquisition by, a new owner of all, or a substantial portion, of the institution’s assets, or the assets of a branch campus or additional location (not including any transfer that constitutes only the granting of a security interest);</li> <li>2. Merger or consolidation of an institution with one or more institutions or entities. This includes the consolidation of an institution not accredited or in candidate status with HLC into the structure of an institution holding status with HLC;</li> <li>3. The division of the affiliated institution into one or more institutions or entities;</li> <li>4. Stock transaction(s) including Initial Public Offerings of stock as well as those transactions wherein an individual, entity or group<sup>3</sup> acquires and controls 25% of the total outstanding shares of stock of the affiliated institution, or an individual, entity or group increases or decreases its control of shares to greater or less than 25%, through individual or cumulative transactions, of the total outstanding shares of the stock of the institution;</li> <li>5. Change of corporate form, governance structure, or conversion, including, but not limited to, change from Limited Partnership to Corporation, from Limited Liability Corporation to a Corporation, from a Not-for Profit Corporation to a For-Profit Corporation, a Private to Public, a Not-for Profit Corporation controlled by members to one controlled by its Board of Directors, significant change in the size of the institution’s governing board;</li> <li>6. Any of the transactions in items 1 through 5 above involving a parent corporation that owns or controls the affiliated institution or in any intermediate subsidiary of a parent corporation where that subsidiary has a controlling relationship to the institution and where the transaction may reasonably affect the control of the accredited institution as determined by HLC or by the U.S. Department of Education;</li> <li>7. Sale, transfer, or release of an interest in the affiliated institution such that there is change in the management or governance of the institution; and</li> <li>8. Transfer of substantial academic or operational control of the affiliated institution to a third-party entity.</li> </ol>	<p>Prior HLC Approval</p>
<p><b>CATEGORY</b></p>	<p><b>CHANGES IN THE RELATIONSHIP WITH HLC</b></p>	<p><b>REQUIREMENT</b></p>
<p><b>Institution’s Relationship with HLC</b></p>	<p>Change the stipulations within the current affiliation status.</p> <p>Change the date of comprehensive visits beyond the cycle established by policy.</p> <p>Change the date of other visits or required reports. HLC staff may make the decision after receipt and evaluation of documentation that shows that such changes are appropriate.</p> <p>Relocate accreditation within or among entities already accredited by HLC. HLC staff may give approval after receipt and evaluation of documentation that the institution or new entity continues to meet HLC requirements and criteria, but will schedule an on-site evaluation to be conducted within a year.</p>	<p>Prior HLC Approval</p>

## Note 1: Academic Programs

(the term *programs* refers to degree, diploma, and certificate programs)

HLC must *separately* approve all additional Title IV-eligible certificate or diploma programs that are not substantially related to or derived from existing programs. If 50% or more of the courses in the program were developed for the Certificate program and are NOT derived from courses in existing Certificate or degree programs, then the new certificate or diploma requires HLC approval.

Institutions that need a letter documenting the approval of any certificate program should send an email to [changerequests@hlcommission.org](mailto:changerequests@hlcommission.org).

## Note 2: Distance or Correspondence Education

HLC defines a distance or correspondence education program as one in which a student could earn the credential by taking 50% or more of the work in the distance or correspondence education courses. Distance or correspondence courses or credits are those in which all or the vast majority (75% or more) of the instruction and interaction occurs via electronic communication, correspondence, or equivalent mechanisms, with the faculty and students physically separated from each other. The new definitions align our practices with federal definitions:

*Distance education/course means education that uses one or more of the {following} technologies: (i) to deliver instruction to students who are separated from the instructor and (ii) to support regular and substantive interaction between the students and the instructor, synchronously or asynchronously. The technologies used may include: (i) the internet; (ii) one-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices; (iii) audioconferencing; or (iv) videocassettes, DVDs, and CD-Roms, if the videocassettes, DVDs or CD-Roms are used in conjunction with any of the technologies listed in clauses (i) through (iii).*

*Correspondence education/course means: (1) Education provided through one or more courses by an institution under which the institution provides instructional materials, by mail or electronic transmission, including examinations on the materials, to students who are separated from the instructor. (2) Interaction between the instructor and the student is not regular and substantive, and is primarily initiated by the student. (3) Correspondence courses are typically self-paced. (4) Correspondence education is not distance education.*

**HLC no longer requires program-by-program approval of distance education for those institutions that (a) have had formal HLC approval of one or more programs in the past and (b) after HLC has formally approved the institution's first distance or correspondence education program.** HLC has designated four levels of distance education activity across the institution (these levels are defined in the change application for distance or correspondence education available on the website). HLC will only require an institution to seek approval when it plans to increase its distance or correspondence education activity from one level to a higher one. Once the institution is at the fourth level, normally no further substantive change requests are required. Of course, HLC will continue to review the distance or correspondence education of all institutions during comprehensive evaluations.

For assistance in locating institutional data or to ask a question, send an email to [changerequests@hlcommission.org](mailto:changerequests@hlcommission.org).

## Note 3: Additional Locations and Campuses

Because the U.S. Department of Education does not have provisions for moving, relocating, or changing the address of a campus or additional location, an institution "moving" a campus or additional location must close the old facility and submit a formal change request to HLC to open a new facility.

When an institution closes an additional location or a campus that provides at least one full degree program, the institution must submit a teach-out plan detailing how students enrolled in that degree program will complete the academic program in a timely fashion. An institution cannot substitute a distance delivery program for an on-ground program as the only teach-out option for students. All teach-outs must be approved by HLC.

Institutions may be asked by the U.S. Department of Education to demonstrate that their campuses and additional locations are approved by HLC in order to ensure continuous access of students at those campuses and locations to Title IV. Only those campuses and locations in HLC's database are approved. Institutions should check their data on HLC's Institutional Status and Requirements Report to make certain all current additional locations and branch campuses are listed.

HLC informs the U.S. Department of Education monthly as to actions regarding additional locations and branch campuses. **Federal regulations prohibit HLC from providing retroactive approvals under any circumstance.**

## PART 2: PROCESS AND TIMELINE

### Changes Requiring HLC Notification

Currently, institutions will inform HLC of changes requiring notification through the Institutional Update or through scheduled HLC evaluations.

### Changes Requiring Prior Commission Approval

All change requests must follow HLC's policies and procedures. Forms with instructions are available on HLC's website.

The types of changes that may use the forms include:

- New programs
- Certificate programs (the form will explain those certificates that need to be reviewed for approval and those that need no separate approval)
- Courses at a new degree level
- New additional locations or branch campuses  
*Institutions that have access to the Notification Program for Additional Locations must notify HLC and receive acknowledgment prior to initiating the additional location. Such access does not cover the addition of campuses.*
- Teach-out of an existing location or branch campus
- Change in clock or credit hours
- Change in mission or student body
- Initiation or expansion of distance education activity to a new level
- Contractual or consortial arrangements in delivering one or more existing programs (Note: the institution should contact the HLC staff liaison regarding contractual programs where more than 50% of any educational program is outsourced to the other party)
- Direct assessment competency-based programs

Institutions submitting change requests may be asked to demonstrate satisfactory progress in the area of the request before applications for expansion in that area will be accepted.

Requests related to **Change of Control, Structure, or Organization** follow a separate process and require a different type of documentation and a different fee schedule. Institutions considering this type of change should write to [legalaffairs@hlcommission.org](mailto:legalaffairs@hlcommission.org). This communication will initiate a conversation between the HLC staff liaison assigned to the institution and HLC's office of legal and governmental affairs about how to proceed with the proposed change.

The time required for HLC to review and decide on approval of a substantive change varies with the type and complexity of the change and the quality and completeness of the request. The average timeframe for change review is six to nine months. However, it is always possible that a change request may require an on-site visit. Therefore, an institution should plan for the potential of a nine-month timeframe.

Most change processes are subject to a fee. See HLC's [fee schedule](#). The fee schedule is updated annually. New or revised fees are effective on September 1.

**Review Processes.** HLC will determine the appropriate process for review of the proposed change: Change Panel, Change Visit, or Desk Review. Recommendations from these processes are forwarded to the appropriate decision-making body for final action. If a change request is denied, an institution may choose to resubmit the change application, addressing issues raised by the decision-making body, no sooner than six months after the decision.

- **Change Panel.** A Change Panel will consist of three or more HLC peer reviewers who will review applications for approval of substantive change submitted by institutions. The Change Panel may seek additional information from the institution if such information is being sought to explain or clarify the materials provided by the institution in its application for change. The Change Panel may recommend that the change be denied or that it be approved with or without modifications as appropriate. The institution is given an opportunity to review the recommendation and provide an institutional response prior to consideration of the recommendation by the decision-making body. Alternatively, the Change Panel may recommend that the change be further evaluated by an on-site evaluation team, either by a Change Visit or by a previously scheduled focused or comprehensive evaluation.
- **Change Visit.** A Change Visit consists of a team of two or more HLC peer reviewers who review applications for approval of substantive change submitted by institutions. Change visits are set three months or more after the receipt of the change application. The Change Visit team may recommend that the change be approved, approved with modifications, or denied. The institution is given an opportunity to review the recommendation and provide an institutional response prior to consideration by the decision-making body.
- **Desk Review.** A Desk Review consists of a review of a proposed institutional change conducted by an individual HLC official.

### Questions / Information

For more information on HLC change policies or on how to submit a change request, consult HLC's website at [hlcommission.org/change](http://hlcommission.org/change).