

[chronicle.com](https://www.chronicle.com)

After Final Warning From Its Accreditor, North Idaho College's Credit Rating Is Downgraded

Dan Bauman

7–8 minutes

The downgrade of North Idaho College (NIC)'s issuer rating ... reflects a continuing period of significant governance and management dysfunction.

Governance considerations, notably heightened board structure, policies and procedures risks, a loss of management credibility and track record, and heightened risk appetite are all key drivers of this rating action.

Loss of accreditation, which is a very rare occurrence, would result in multi-notch downward rating action as it would have a severe and immediate impact on enrollment and operations.

Illustration by The Chronicle

Following a show-cause order from its accreditor, North Idaho College saw its credit rating [downgraded](#) by Moody's Investors Service last week. The bond-credit-rating company also revised its outlook for the community college from "ratings under review" to

negative.

The moves by Moody's are the latest demonstration of the consequences that can ensue from [prolonged governance strife](#). The ratings agency made its reasoning clear. "The downgrade of North Idaho College (NIC)'s issuer rating," its statement read, " ... reflects a continuing period of significant governance and management dysfunction."

Moody's further connected the dots: "Prolonged and public disputes among the board and the college, as well as the local community, have resulted in turnover in the office of the president and legal counsel, litigation, delayed audits, and most notably, possible loss of accreditation."

Were North Idaho to lose its accreditation, a rare occurrence, students enrolled at the college would be ineligible to participate in federal financial-aid programs to pay for their education — functionally a death sentence for the college.

Though the downgrade has not borne any publicly discernible fallout, it could prove financially unfavorable in the future if the institution seeks to incur long-term debt. Generally, creditors offset any uncertainty associated with a college's operations (and, by extension, that institution's ability to make principal and interest payments on debt) by calibrating a bond deal to a college's financial risk. In practice, this can mean a college with deep pockets is generally offered lower interest rates on debt financing than a university that hasn't operated in the black for several years. And institutions able to win more-favorable interest rates from bondholders can in turn avoid paying millions of dollars of debt service in the long run.

Last month, the accreditor of North Idaho College [issued](#) a “show cause” sanction against the institution. Though the college remains accredited, the sanction serves as a final [warning](#) to North Idaho and its board to shape up or risk termination of its accreditation by the Northwest Commission on Colleges and Universities.

In justifying its show-cause finding against the college, the commission cited a litany of circumstances arising from actions taken by the college’s board which, the accreditor wrote, “continue to place the institution at risk for viability.” These included “frequent changes in leadership with little to no input from relevant stakeholders, without following institutional policies and procedures.”

Moody’s characterized the college as having [experienced](#) “a loss of management credibility.”

Next Steps

North Idaho College will have until March 31 to [submit](#) its show-cause report to the commission and it “must provide evidence NIC has made all necessary improvements and meets NWCCU standards for accreditation, eligibility requirements, and policies.” In April, a five-person peer-review team will visit North Idaho,

where it will verify the information presented in the college's show-cause report and teach-out plan. A previously scheduled routine visit by the accreditor's representatives will be delayed until the fall, pending the results of the April assessment.

In a letter to employees, Gregory South, North Idaho College's interim president, told employees that the Northwest Commission would meet in June to evaluate the college's response to the accreditor's show-cause order. If the commission elects to terminate accreditation, South [wrote](#) that "NIC will have the ability to go through an appeal process in July."

Still, even if the Northwest Commission declines to terminate North Idaho's accreditation this summer, the clock is still ticking for the institution. Federal regulations explicitly bar accreditors from extending accreditation in perpetuity to a sanctioned institution.

[According](#) to NWCCU's "Handbook of Accreditation," if North Idaho College fails to take any action to meaningfully correct the deficiencies identified by the accreditor, the commission will be forced to withdraw accreditation in April 2024, two years after it issued its April 2022 warning-sanction [letter](#).

"Whichever sanction is imposed, the commission is required by federal law to withdraw accreditation, rather than to continue the institution under the same or a new sanction for another two-year period, unless clear progress has been made within two years," the handbook reads.

That said, if by April 2024 the accreditor can [find](#) good cause that North Idaho has made "clear progress" toward remedying its

noncompliant practices and behavior, the accreditor can grant the college a reprieve from accreditation loss, but only for up to two years of extension time.

The commission could also lift its “show cause” order against North Idaho before April 2024 (negating the need for any extension) if, in the interim, the college can fully restore the accreditor’s confidence. Colleges that have faced down the prospect of accreditation withdrawal in the past have also [turned](#) to the courts. However, institutions currently under an accreditor’s sanction are [barred](#) by federal regulations from switching to a new accreditor.

In an emailed statement two weeks ago, after the show-cause notice was issued, Sonny Ramaswamy, the commission’s president, said the accreditor was unable to provide any additional information beyond what was stated in its letter.

Asked for comment two weeks ago, a representative at North Idaho College forwarded *The Chronicle* a message sent by South to the institution’s employees on February 10. South told NIC’s work force that a meeting between himself, two board members, and Ramaswamy had proved productive, though South conveyed repeatedly in his letter how seriously the college’s board was taking the show-cause order.

“The NWCCU made it clear that they want to see NIC succeed yet were serious in their message that everyone on the board must take responsibility for actions that have caused and are causing problems with the college’s accreditation,” South wrote.

North Idaho’s board [released](#) a similar statement on February 22.

“As a board, we are working on our board-governance

development and realize the severity of the show-cause sanction," the five-member board wrote.