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Wendy Macias
U.S. Department of Education
1990 K Street NW
Room 8017
Washington, DC 20006

RE: Comments to the U.S. Department of Education for proposed regulations for the Federal Student Aid programs authorized under title IV of the Higher Education Act

Dear Ms. Macias:

As the Department of Education considers what it means for a program to prepare students for gainful employment in a recognized occupation, the Office of the Colorado Attorney General offers the following comment.

The Attorney General recommends that the Department adopt a single, uniform standard for determining whether a graduate has obtained employment in the graduate's field of study. Under the current system, national accrediting bodies develop standards for whether a student has obtained employment in his/her field of study. Based on completed and ongoing investigations into proprietary schools, the Attorney General has observed that some covered institutions have made misrepresentations in their reports to accrediting bodies about the percentage of their students who are employed in their field of study. Such misrepresentations range from blatantly false reporting of students as employed in field (i.e., a graphics design graduate who is working behind the counter at a fast-food restaurant) to less egregious, yet still improper misreporting of students as employed in field (i.e., a graphics design graduate who briefly obtained contract employment for a single graphic design job).

The problem is exacerbated by the existence of multiple accrediting bodies that have varying standards for determining whether a graduate is employed in his/her field of study. Inevitably, some accrediting bodies will make it easier for schools to count a student as "employed in field." Schools who report to these accrediting bodies will be able to report higher employment percentages than schools who report to accrediting agencies with more stringent standards. This

disparity is extremely harmful to students, as less stringent or vague and malleable standards can allow schools to overstate the number of students who obtained employment in their field of study. The disparity is also harmful to schools who report to agencies with more stringent standards, as they must compete against the inflated employment figures of other schools. Ultimately, the disparity in standards undermines the central tenet of efficient markets: that information flow freely among all market actors.

By adopting a uniform set of guidelines for what constitutes employment in a field of study, the Department would ensure that students are receiving accurate information and that the schools are completing on a level playing field.

Propriety schools are further misrepresenting the success of their graduates by manipulating their cohort default rates. Schools are incentivized to encourage forbearance because graduates in forbearance, although unable to make their loan payments, are not included in the Department's calculation of students who are in default. Thus, the more defaulting graduates in forbearance, the lower the default rate. Placing graduates in forbearance may seem, on its face, to benefit the graduates, but many students will end up paying more over the life of their loan after forbearance. In some cases, it also simply delays the graduate's inevitable default.

The Department should consider strong regulations to ensure that schools do not artificially lower their default rates, including the practice of encouraging graduates to place their loans in forbearance when forbearance is not in the graduates' best interest. Schools should be required to provide proper counseling about options other than forbearance and deferment, such as income-based repayment, in order to avoid defaulting on their loans.

Sincerely,

FOR THE ATTORNEY GENERAL

/s/

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