

Testimony in Support of a Strong Gainful Employment Rule

U.S. Department of Education Hearing

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My name is Megan Ryan. I am a Supervising Attorney at East Bay Community Law Center. EBCLC is one of the largest legal aid providers for low-income individuals in the San Francisco Bay Area and a primary provider of clinical education to students at the UC Berkeley law school. I direct our consumer protection practice.

I urge the Department of Education to implement a strong gainful employment rule.

In our clinics we are seeing an increasing number of clients with private student loans in default following their attendance at a sub-par for-profit colleges. The debts are large – often grossly disproportionate to the economic benefit, if any, gained by attending these colleges. Though our clients want to pay their debts, many simply cannot afford the high monthly payments. Yet we have found that private lenders will not work with poor borrowers to negotiate an affordable payment plan. Our clients are unemployed or underemployed – despite the promises of lucrative jobs made by recruiters for these colleges -- and frustrated and scared about their financial futures.

I would like to introduce you to two of our clients from the past several months who have ended up with large amounts of debt and no benefits from their education.

- Cristina has over \$70,000 in student loan debt from a for-profit career education program, consisting of both federal and private student loans. Cristina makes a low wage, and has been unable to keep up with all of her loan payments. Cristina defaulted on one of her private loans and was at risk of defaulting on others. A debt collector sued Cristina in June of 2012. As she fought her lawsuit, she made efforts to get back into good standing on her other loans, but she was unable to negotiate sufficiently affordable repayment plans. Unfortunately, Cristina's total monthly loan payments were too high; her income did not support her basic life necessities and all her loan payments. Cristina was recently served with two additional lawsuits for collection of private student loans. At age 32, Cristina is facing possible judgment in three lawsuits. If she loses these cases, she will be subject to wage garnishment and bank levies, likely for decades – since these loans cannot generally be discharged in bankruptcy -- until the judgments are paid off.

Students need protection from career education programs that leave them with debt they cannot repay.

- Tara came to EBCLC because she owed over \$36,000 after attending a private for-profit college to earn her licensed vocational nursing degree. Tara was unable to find work and was surviving on Calworks (welfare) to support herself and her young child. Not understanding that she had repayment options under the income based repayment plan, she defaulted on her federal loan and her small income tax return was garnished. While we were able to help her get on the IBR program, we were not able to give answers to her dismay that she owed so much money despite being unable to find gainful employment.

Allowing programs where the majority of students cannot pay down their debt to continue to indebt students does a disservice to both students and taxpayers. Programs that do not benefit students must be shut down.

The names in these stories have been changed, but the facts have not. These are the cases that we regularly see. If the proposed gainful employment rule had been in effect, clients like Cristina and Tara would not be saddled with debt and disappointment.

I urge you to create a strong gainful employment rule to protect students so that their belief in upward mobility through education remains true rather than ruined by crushing debt and professional stagnation.

Thank you.