

Testimony

of

Theodore (Ted) L. Daywalt

CEO and President

VetJobs

www.vetjobs.com



Title IV Federal Student Aid Public Hearing

to

Department of Education

Policy, Planning and Innovation Office

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Spelman College

William and Camille Cosby Auditorium

350 Spelman Lane

Atlanta, GA 30314

9:10 AM to 9:20 AM

Good morning. Let me first thank you for the opportunity to come before this Department of Education (DOE) hearing today to share with you information that is relevant to the DOE's discussions on improving Title IV Student Aid.

I will be addressing the issue from the perspective of the active military and veteran community where Title IV funds are used in conjunction with Department of Defense (DOD) Training Assistance (TA) and Veteran Administration's (VA) GI Bill funds.

VetJobs (www.vetjobs.com) has a unique vantage point on these discussions as by the nature of our business, VetJobs deals with veterans and their family members on a daily basis who are pursuing employment and the education necessary to obtain employment.

The mission of VetJobs is to assist veterans, their spouses and dependents find quality jobs with employers worldwide. Since our launch on Veterans Day in 1999, VetJobs has assisted millions of veterans and their family members meet the recruiting needs of thousands of companies. As we speak today, there are over 80,000 jobs on the VetJobs site from hundreds of patriotic companies who want to hire veterans and their family members. Over 700,000 veterans a month or 8.4 million veterans a year visit VetJobs seeking assistance. Over the last 14 years VetJobs has been recognized regularly as the leading military job board on the internet.

VetJobs is exclusively sponsored and partially owned by the Veterans of Foreign Wars of the United States (www.vfw.org). Additionally, VetJobs is endorsed by the Vietnam Veterans of America (www.vva.org), Association of the US Navy (www.ausn.org), Veterans of Modern Warfare (www.vmwusa.org), Student Veterans of America (www.studentveterans.org), Military Order of the Purple Heart (www.purpleheart.org), Hope4Heroes (www.hope4heroes.org) and the United States Army Warrant Officers Association (www.usawoa.org).

What follows is a discussion of my observations as a businessman, who interacts with corporations, nonprofit organizations, and businesses seeking to hire veterans and their family members, but also a person who has dealt with many veterans and their spouses who have had problems with certain for-profit schools. As their schooling directly impacts the type of employment they can obtain, VetJobs has assisted veterans and their spouses select the appropriate educational venue.

Following the discussion, I list specific recommendations that will help to clean up the Title IV problems and make schools more accountable when using federal funds.

Introduction

The current Post-9/11 GI Bill and as it applies to payments in conjunction with Title IV has been usurped by predatory for-profit schools. The actions and behaviors of the predatory for-profit schools need to be curtailed. Note I use the term predatory for-profit schools as not all for-profit schools have engaged in less than ethical or illegal behavior.

I want to be very clear that not all for-profit schools are bad. But those that are bad are very bad. There are technical and trade schools as well as universities that are for-profit who have done a good job. However, many of the predatory for-profit schools in the military education space have definitely stepped over the line, and in some cases, committed fraud.

90/10 Rule

At the core of the predatory for-profit school problem is the 90/10 rule as it applies to Title IV. Under this principle, institutions are required to receive no more than 90% of their revenues from federal sources to be eligible to receive federal student aid.

The 90/10 requirement was put in place to prevent schools from existing merely as a means to collect taxpayer subsidized education benefits, but that is what several of the predatory for-profit schools have become. The requirement also sought to improve school quality by incentivizing proprietary institutions to enroll at least some students willing to invest with their own money in the education offered by the school.

However, a **loophole** in the 90/10 rule allows predatory for-profit schools to continue to receive federal funds even if the institution has reached its 90% limit on federal student aid. As the 90/10 rule is currently constructed, only federal aid administered from the DOE is counted toward the 90% limit. Revenues received from the VA administered benefits like the Post-9/11 GI Bill and the DOD TA monies are treated as non-federal sources under the current 90/10 rule. In other words, a school that has reached its 90% limit of DOE funding can solicit revenue from Post-9/11 GI Bill beneficiaries instead of recruiting students willing to pay out-of-pocket. This loophole has the effect of undermining the original intent of the 90/10 rule by giving proprietary schools the opportunity to receive 100% of their revenue from taxpayer-funded sources.

Currently, military and veteran educational benefits DO NOT count towards the 90% restriction. Thus, most predatory for-profit colleges and universities market towards servicemembers, veterans and their dependents understanding that the 90% limit can be exceeded.

A GAO undercover investigation on applications at the 15 for-profit colleges found that 4 of the colleges encouraged fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants. Four undercover applicants were encouraged by college personnel to falsify their financial aid forms to qualify for federal aid.

In spite of the findings of the GAO undercover investigation, VA and DOD continue to allow the predatory for-profit schools to enroll active duty military personnel, veterans and spouses. These

15 predatory for-profit schools continue to target veterans and their spouses. There obviously is no effective oversight of the educational programs at DOD and VA!

While it is understood that not every institution within the for-profit sector is engaged in these practices, the factual and testimonial evidence from past and recent press reports have found that many predatory for-profit institutions have engaged in improper and unethical recruiting practices while also reporting record profits generated from billions in taxpayer dollars.

Post 9/11 GI Bill Benefits were expanded in 2008. The expansion means that the more than 1.2 million veterans deployed since 2001 to Iraq and Afghanistan will be able to use this generous benefit wherever they choose to go to school, even to those career education programs that have been aggressively and deceptively recruiting them into programs shown to provide a very poor education. We owe it to these veterans to give them the tools they need to make sure their one-time GI Bill benefits are used at a school where they get a good education.

Problems for Veterans & Spouses

VetJobs has observed many disturbing activities by the predatory for-profit schools directed at veterans and their family members. The problems have included:

-Aggressive deceptive marketing to veterans and active duty component members

Many predatory for-profits see military students as dollar signs in a uniform. As a result, predatory for profit schools use exceptionally high pressure techniques to sign up active military and veterans.

-Aggressive deceptive marketing to spouses, especially on military installations

Many predatory for-profits see military spouses as dollar signs on a military base.

-Telling veterans the programs are accredited when in fact the programs are “self-accredited”.

Many of the predatory for-profit schools cannot qualify for accreditation through traditional accrediting agencies such as SAC or the AACSB. So to claim “accreditation”, they created their own accrediting agencies, which are not recognized by other traditional brick and mortar schools or state departments of education. Not knowing any better, veterans are being conned by the predatory for-profit schools deceptive claims that they were accredited. To learn more, visit <http://www.geteducated.com/diploma-mills-police/college-degree-mills/204-fake-agencies-for-college-accreditation>. To learn more about legitimate school and college accrediting agencies, please visit <http://www2.ed.gov/admins/finaid/accred/index.html>.

-Credits not transferring especially for graduate programs

-Employers not accepting degrees as accredited

-Schools not providing marketable skills that give gainful employment

Some technical for-profit schools do not provide adequate training so a student can then obtain a license for their work or get certification. In fact, some for-profit technical training schools are not recognized as legitimate by state authorities.

-Once enrolled, students are offered excessive amounts of additional financial aid, often in the form of risky private student loans (not federal loans), to cover the high costs of attending these institutions while earning less than worthy degrees or certifications.

Students in two-year programs at for-profit colleges are also eight times likelier to be in debt than those at community colleges, according to a report from the Education Trust, a nonprofit advocacy organization based in Washington. <http://www.businessweek.com/news/2011-01-06/for-profit-colleges-charge-more-while-doing-less.html>

-Exceptionally high tuition rates when compared to traditional brick and mortar schools.

-Schools will milk veterans for additional semesters by not offering adequate class selections so the student has to remain enrolled longer. Such tactics cause the veteran to have to take out more loans.

Gainful Employment

Another major issue with predatory for-profit schools is lack of training for gainful employment, which is considered part of the program integrity regulations. Many predatory for-profit institutions are the most expensive institutions in higher education. As a result, over 95% of students at the predatory for-profit institutions receive loans due to their unmet financial need. Even a few months of attendance at predatory for-profit institutions can leave students saddled with debt in excess of \$9,000.

In contrast, only 13% of community colleges, 48% of four-year public institution, and 57% of traditional four-year private institution (not-for-profit) students take out loans. Clearly, the **predatory for profit schools are an industry that engages in profit maximization through a government voucher system.**

The sad part here is when a veteran defaults on their school loan it becomes difficult to obtain employment now that over 60% of employers conduct credit checks of new employees. Many of the predatory for-profit schools like Kaplan have student loan default rates in the 30% range, which was reported by UBS Financial in the School Cohort Default Rates report. From that report, several predatory for-profit schools had three year default rates in the 25% to 30% range. Veterans and their spouses who have these defaults have a difficult time finding a job.

This problem is exacerbated for student veterans. Gainful Employment regulations ensure that institutions are offering educational degrees and certificates that have meaningful value in the labor market, students are not left with excessive debt, and students are able to repay any loans accrued in higher education per their discretionary income. This is not occurring with the predatory for-profit schools.

Predatory for-profit schools have learned how to game the system and obtain monies from DOE, DOD and VA. Unfortunately, **once federal agencies turn on the money faucet, there is no adequate oversight or accountability**, especially at VA when it comes to oversight of the Post-9/11 GI Bill.

Recommendations

I would make the following recommendations for the DOE to consider:

-Veterans and active members of the military need to have better information to make informed decisions about what school to attend

-Education counselors on military installations and commands need to be better educated to adequately assist veterans and their dependents to choose an appropriate school for college and graduate education

-There is a need for greater oversight and accountability by DOE, DOD and VA of career education programs that have been handing out worthless degrees, loading up students with debt they are unable to repay, or using up one-time GI Bill benefits

-Taxpayer funds should not be wasted on worthless programs – they need to be invested wisely in solid education programs that offer gainful employment and have traditional accreditation.

-For-profit schools should be limited as to how much money can be used for recruiting, marketing and commissions. If a school is receiving federal funds, the sales, marketing and commissions should be limited to a maximum of 5% of the school's revenue. Some predatory for-profit schools now spend as much as 50% on marketing, selling and commissions.

-Accreditation issues need to be examined to find a way to ensure that a school's accreditation is legitimate and the school has courses that will be recognized by other schools.

-The DOE should cut off funding for programs whose graduates are not eligible to sit for licensing exams in their fields that require a license (e.g., lawyer, plumber, electrician, most health jobs). Federal dollars should not be used to support schools and training programs that do not give a graduate gainful employment.

-The 90/10 rule should include all federal funds, not just Title IV, and it should especially include DOD TA and GI Bill benefits

-The 90/10 Percent Rule must be enforced. To eliminate a great deal of the predatory school practices I would recommend it be set at a lower percentage, such as 70/30. Given the economic condition of the United States, higher education institutions should continue to strive towards financing their student populations with less reliance on taxpayer dollars.

-Predatory for-profit schools that persist in the behavior found by GAO should be banned from using military facilities, banned from recruiting on military bases and banned from receiving any Title IV funds or any other federal funds.

-Any funds recovered from predatory for-profit schools (such as the \$11 billion dollar fraud law suit against EDMC) should be put into a fund to reimburse veterans who were conned and lost their GI Bill attending predatory for-profit schools.

In conclusion, any solution considered by DOE to the above problems must include a way to ensure predatory for-profit schools are held accountable and will give students gainful employment.

This concludes my testimony.

Thank you for your time.

Theodore (Ted) L. Daywalt
CEO and President
VetJobs.com, Inc.
P. O. Box 71445
Marietta, GA 30007-1445
770-993-5117 (o)
877-838-5627 (877-Vet-Jobs)
tdaywalt@vetjobs.com

Biography of Ted Daywalt

Since 1999 Mr. Daywalt has been the president and CEO of VetJobs (www.vetjobs.com), the leading military job board on the Internet, sponsored and partially owned by the Veterans of Foreign Wars and recognized as the top military job board by CareerXRoads, WEDDLE's, Workforce Management Magazine, AIRS, AOL and the US Chamber of Commerce. Mr. Daywalt is regularly cited as a subject matter expert and interviewed in the press, including USA Today, 60 Minutes, Military Times, PBS Frontline, Parade Magazine, NPR, PRI, CNN, Canadian Broadcast Corporation, Sun TV, Russian Television and FOX Business News.

Mr. Daywalt served on active duty in the Navy for seven years. He initially served as a Line Officer on a destroyer with cruises to South America, Europe and Russia. He was then assigned to the Commander United States Naval Forces, European headquarters in London, England, as an intelligence watch officer and later as a geopolitical analyst with responsibilities for the Middle East, Eastern Europe and Africa. In 1978 he transferred to the Naval Reserve Intelligence Program, from which he retired as a Captain (O-6) with 28 years of service.

Following his active naval service and obtaining an MBA, he entered private industry in 1980 holding senior and C level executive positions in the steel, electric utility, importing, chemical, biomedical waste and recruiting industries. Mr. Daywalt has been active in the recruiting and staffing industry since 1994.

Mr. Daywalt is published and is an in demand speaker for various business organizations, government agencies and universities, speaking on recruiting and retention, the Internet, educational and economic trends, military and veterans issues. Mr. Daywalt regularly works with congressional committees and federal agencies on veteran employment and economic issues.

Mr. Daywalt is on the United States Chamber's Small Business Council and the Procurement Council.

Mr. Daywalt currently sits on several Boards of Directors; is Chairman of the Atlanta Regional Military Affairs Council (ARMAC); Chairman of Congressman Tom Price's (GA-R-6) Military Affairs Council; Board of Governors for the International Association of Employment Web Sites where he chairs the OFCCP Committee; and is the principal consultant for TAMB Associates which he owns. Past board memberships have included the Board of Alumni for Goizueta Business School, Emory University; Board of Directors of Naval Intelligence Professionals; and Chairman, Employers United for a Stronger America.

Mr. Daywalt earned a BS from Florida State University (1971), an MA in International Relations from the University of Southern California (1977) and an MBA from the Goizueta Business School, Emory University (1980).