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Testimony for the Education Department
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Veterans Education Success is a new non-profit organization dedicated to protecting the promise of the GI Bill. We were founded at the request of the major veterans organizations and our Board of Advisors consists of representatives from the major veterans organizations.

When you convene your negotiated rulemaking panel, please include **students and veterans** on the panel. The majority of your panel should be students and borrowers – not corporate interests.

Veterans Education Success joins the many veterans, civil rights, and education advocates with a strong plea for the Education Department to:

- (1) Institute a stronger **Gainful Employment** rule to provide protection to students who are duped into extremely expensive, subpar educations.
- (2) Update your “**false certification**” rule or institute a new rule, or otherwise stop sending taxpayer student aid to programs that lack “**programmatically accreditation**” such that their graduates are not eligible to even sit for a **licensing** exam in those jobs that require a license.
- (3) Create a rule to crack down on “**lead generators.**”
- (4) Create a rule to force all recipients of Title IV dollars to **disclose** in an easily accessible, up-front, uniform format and location the key facts about their schools, so that students can make an informed choice (and not feel hoodwinked).
- (5) Create a rule to institute **risk-based audits** of schools that receive Title IV dollars but demonstrate one of several red-flag triggers.
- (6) Create a rule to stop the **manipulation** of Cohort Default Rates and 90/10 compliance.
- (7) Create a standardized definition of “**Job Placement**”

Please see the attached letter to President Obama, signed by 10 prominent military and veterans organizations, along with dozens of civil rights, education, and consumer protection organizations, urging a strong Gainful Employment rule, also available here: http://www.protectstudentsandtaxpayers.org/wp-content/uploads/2013/04/GE_coalition_letter_to_POTUS_April_15_2013.pdf

Why You Need To Act

We know you will face an intimidating lobbying effort by the for-profit college

industry. *The New York Times* reported that during your last rulemaking on Gainful Employment, for-profit colleges spent \$12 million in 12 months lobbying only against your Gainful Employment rule – not to mention all the lobbying they do to stop any other regulatory or legislative protections for students.

For-profit lobbyists will tell you to delay and leave this to Congress in the Higher Education Act. That's because they know Congress is currently stuck in gridlock and dysfunction and they are confident there will be no Higher Education Act reauthorization. As a Senior Committee Counsel until February 2013, and before that an advisor to Senate Majority Leader Harry Reid, I would bet with 90% certainty that there will be no Higher Education Act reauthorization. The Senate could not get the Elementary & Secondary Education Act reauthorization done, nor the Workforce Innovation Act reauthorization done, and Congress will not be able to agree on a reauthorization of the Higher Education Act. Indeed, as I learned in Harry Reid's office, the only reauthorization act that does move each year is the National Defense bill. Nothing else moves. That's the reality up there.

In addition, the for-profit college industry is a multi-billion dollar industry (with 90% or more of its revenue coming from federal financial aid – as the Senate investigation proved) and, unfortunately, the for-profit colleges throw around a lot of money to elected officials' campaign coffers. It is well known that some Senators and Congressmen have taken so much money from the for-profits that they will do the for-profits' bidding. This is an embarrassing statement about the state of America's campaign finance laws, but is nevertheless true.

The for-profit education companies would be thrilled if you fail to act because they know Congress will also fail to act and they know they can pay enough into the campaign coffers of Members of Congress to block any legislation.

But, here's the key difference for you. The Education Department is not for sale and cannot be bought. None of you ask for or accept campaign contributions. You are free to make unbiased, uninfluenced decisions about policy based on what is best for American students.

Moreover, you do not owe a duty first and foremost to for-profit corporate lobbyists, but instead to the American taxpayers and to the veterans who have served this country.

Servicemembers and veterans using the GI Bill, as well as Defense Department Tuition Assistance and MyCAA spousal education aid, **are counting on you to protect them from wasting their one chance with the GI Bill and its promise of a shot at the American Dream.** They're counting on you to draw the line to weed out career colleges that leave the graduates without a promising career.

For the past 2 years, veterans advocates and Senate staff have met multiple times with DoD and VA.

Guess what VA and DOD have told us, for two years running? That they are not equipped to make judgment calls about educational quality. That only you know where to draw the line.

We need you to draw that line.

Consider the Veterans' Perspective

Look at this from the viewpoint of a veteran. He's returning from Afghanistan. He lost his right leg. He can't go back to his job as a construction worker. He needs a new career.

Fortunately, we have the GI Bill, the promise of a high quality education. **A ticket to the American Dream.** Maybe he can become a businessman? A lawyer?

For example, speaking personally, my uncle Harris Wofford, whom some of you know, got the GI Bill after World War II and went on to study the Great Books program at University of Chicago, which changed his life. He went on to serve as JFK's civil rights advisor and a close confidant of MLK, and to co-found the Peace Corps and eventually serve in the U.S. Senate.

The GI Bill provides great promise to our returning heroes. **The promise of the GI Bill is to give our nation's veterans, who have sacrificed the most for America, a chance at the American Dream. The GI Bill promises veterans a high quality education as thanks for their service.** And that service is significant. Many veterans today are returning from Iraq and Afghanistan with missing limbs and significant physical and emotional scars.

But – here's the kicker – our loyal Vet trusts his government to protect him from being scammed. He assumes you would not allow GI Bill funds to be spent at schools **whose graduates cannot land jobs.**

Don't forget: A career college is supposed to lead to a career!

Please also consider your "recognized occupations" for career colleges and please limit eligibility to job classification backed by actual employer categories. Let's not waste taxpayer dollars training people for jobs that don't exist.

Consider the Taxpayers' Perspective

Now, look at this from the point of view of a taxpayer. American taxpayers assume that if you are taking their money to educate the next generation of Americans and to give the promise of American Dream to GI Bill recipients. Taxpayers **assume you're not going to waste their hard-earned dollars on schools whose graduates can't find a job. Taxpayers expect a little old-fashioned Return on Investment.** You are taking their hard-earned dollars with the promise that those dollars will be spent to ensure American heroes returning from war get a chance to be trained for a career to

support their families then that's fine.

You need to be good custodians of taxpayer dollars. Today, what do taxpayers and veterans receive for their investment? Far too often, debt without a degree. A subpar education leading to skyrocketing drop-out rates. As the attached slides from the Senate HELP Committee Investigation make clear, although students attending for-profit colleges account for only 13% of the student body nationally, they use up one-quarter of all Pell Grants and Stafford Loans and, what do they give American taxpayers? Half of America's student loan defaults. That's right. **They take only 13% of students, but they account for half of America's student loan defaults.** Please read the Senate Committee Report at http://www.help.senate.gov/imo/media/for_profit_report/Contents.pdf. The Executive Summary is at http://www.help.senate.gov/imo/media/for_profit_report/ExecutiveSummary.pdf, and there is a detailed data on each of the 30 major for-profit colleges, including the student outcomes at each school: http://www.help.senate.gov/imo/media/for_profit_report/PartII.pdf. You need to read the shocking, indisputable, cold, hard facts about these schools.

And the precious GI Bill dollars? Here's the thing: It costs taxpayers twice as much to send a veteran to a for-profit college as it does to send a veteran to a public university or community college. For profits are very expensive. Even sub-par career colleges cost 6 and 8 times more than nearby high quality public universities and community colleges. **You've got top-name flagship public universities offering a quality education for 1/8th the price that a shoddy for-profit college is offering.** Please read the Senate report on military benefits: <http://www.harkin.senate.gov/documents/pdf/4eb02b5a4610f.pdf> and starting on page 27 at http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

Where Are Taxpayer Dollars Going?

Why are for-profit colleges so expensive? They must be putting a lot of money into education if they cost so much more, right?

Wrong. Guess where taxpayers' hard-earned dollars are going? Remember, these are schools that have 85% and 90% of their revenues coming straight from taxpayers. And where does that money go? **On average, 20% to Wall Street profit, 25% to marketing and advertising, and then they pay their CEOs an average salary of \$8 million - \$9 million per year.** Nonprofit college presidents average less than \$400,000 per year. Please read pages 81-84 of the Senate report: http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

And how much are the for-profit college spending on education? For-profits

spend less than one-fifth of what they get from the federal spigot. A tiny fraction of what legitimate colleges spend. Please read pages 86 and on in the Senate report.

http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf. When for-profit Bridgepoint purchased non-profit Mount St. Claire College, Bridgepoint **slashed spending on education from more than \$5,000 per student to a mere \$700 per student per year**. \$700 per student per year! What kind of education is that? That same year, **they paid their college president \$20 million dollars. Almost 20 times more than the President of Harvard is paid**. Do you think Bridgepoint is doing a better job than Harvard? Please review the Senate hearing on Bridgepoint, at http://www.harkin.senate.gov/help/video_hearing.cfm#4.

Where Are Our GI Bill Dollars Going?

Because for-profit colleges are so expensive, they are taking **38% of GI Bill dollars, but educating only one quarter of GI Bill students**. As the attached slides from the Senate analysis of GI Bill dollars shows, **8 of the 10 schools receiving the most GI Bill dollars are for-profits**, with only two public universities even making it into list of the 10 largest recipients of GI Bill dollars: the University of Maryland system at #8 and the University of Texas system at #10. The entire U-Cal system and Cal-state system do not even make it in the list of 10 largest recipients of GI Bill Dollars. Please read pages 27 and on in the Senate Committee report.

http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

Similarly, for-profits are taking **half of all DOD Tuition Assistance** for active duty servicemembers and **60% of all MyCAA funds** for servicemembers' spouses.

And what do these 10 biggest recipients of GI Bill dollars provide? **Dropout rates of 50% and 60% at those for-profits compared to only 13% and 26% at UMD and UT**. Look at the attached Senate Committee chart that shows the dropout rate in rank order of how much GI Bill funds the schools are pulling in.

Taxpayers would be outraged at this waste of their hard-earned dollars! And veterans are outraged that you are not directing their one-shot at the GI Bill towards a fruitful education.

The fifth largest recipient of DoD MyCAA funds is an online animal behavior college. **An online animal behavior college. Really.**

Why are for-profits taking so much of the GI Bill and DoD education dollars? All thanks to a loophole in federal law. Veterans and servicemembers are heavily and unscrupulously targeted by for-profit Colleges because of a loophole in one of the only existing federal constraints on for-profit colleges, which failed to restrict GI Bill dollars and Defense Department education aid. (This is the so-called "**90/10 loophole**" in which for-profit colleges may not receive more than 90% of their revenue

from federal student aid run by the U.S. Education Department; however, the GI Bill and Defense Department's education aid do not count towards the 90% cap, but instead are used by for-profit schools – in a violation of the intent, but not the letter, of the law – to beef up their 10% "private revenue" side). Please read the letter from 21 state Attorneys General to Congress alerting Congress to this violation of the intent of the law by for-profit colleges: <http://migration.kentucky.gov/NR/rdonlyres/88B3C155-E62F-4355-8D83-FFA9C01DE0DD/0/9010letter.pdf>. Please also read the sections beginning at pages 68 and 137 of the Senate Committee report. http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf

In other words, for-profit colleges are desperate for veterans who can pay with the GI Bill, because for every Vet they sign up, then can go sign up another 9 Pell Grant students. As Holly Petraeus, the head of servicemember protections at the Consumer Financial Protection Bureau, has lamented: “This gives for-profit colleges an incentive to see service members as **nothing more than dollar signs in uniform**, and to use aggressive marketing to draw them in.” <http://www.nytimes.com/2011/09/22/opinion/for-profit-colleges-vulnerable-gis.html>

Predatory, Deceitful, and Sometimes Fraudulent Recruiting and Marketing

And how are these career colleges convincing veterans to attend? With predatory marketing and recruiting – all paid for with precious GI Bill dollars and Title IV funds. The recruiting arm of these for-profit colleges is offensive - with **outright emotional manipulation and blatant deception built into the training materials for their "recruiters," housed in massive call centers**. Training manuals teach the recruiters to emotionally manipulate people into signing up for programs that are not going to help them. Training manuals explicitly teach recruiters to dig for the “**pain**” in prospective students’ lives and then manipulate that pain: “**Pain is the greatest motivator.**” Please read the Senate report beginning on page 59. And please look at the actual pages from training manuals submitted by for-profit colleges to the Senate investigation, attached.

And the recruiting? **Massive call centers** deliberately designed to harass veterans until they agree to sign up. **Veterans frequently receive, literally, several hundred phone calls and e-mails by for-profit college "recruiters," whose job performance is graded by how many veterans they can sign up.** Please read details about the call centers and aggressive recruiting, especially of military and veterans, on pages 46-72. http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf. Please also read the *New York Times* expose: Eric Lipton, “Profits and Scrutiny for Colleges Courting Veterans,” *New York Times*, December 8, 2010, <http://www.nytimes.com/2010/12/09/education/09colleges.html> .

Our colleague, Daniel Elkins at Veterans of Foreign Wars (VFW), wanted to see for himself what the recruiting and marketing targeting veterans was like, so he entered his name in one of the websites that promises to help veterans access their GI Bill dollars, but which is actually just a “lead generator” service for the for-profit colleges. Elkins

was overwhelmed by the response. He told National Public Radio (NPR) in an interview: **“Within three to four days, I got in the excess of 70 phone calls and I got well over 300 e-mails.”** And the emails and phone calls are still coming, a year later! He even got a call during a meeting with for-profit schools who were denying their aggressive recruiting! Please listen to the NPR radio interview about the aggressive recruiting of veterans returning from Iraq and Afghanistan:

<http://www.npr.org/2012/04/09/150148966/for-profit-schools-under-fire-for-targeting-veterans>.

Among students who do sign up, too often they find out, after the fact, that they've also been **signed up without their permission for a private student loan** (directly from the for-profit college) at exorbitant interest rates (upwards of 18%) – even though they were promised their GI Bill dollars would cover the whole thing. Interest rates so high that they are illegal in some states (e.g., in Colorado where the Colorado Attorney General successfully sued for-profit college Westwood for interest rates that were illegally high under Colorado consumer protection laws).

Please read the Huffington Post’s expose on the for-profit call centers, where even the call center staff felt “dirty” and guilty about the “lies” they told veterans and students. http://www.huffingtonpost.com/2011/10/14/goldman-sachs-for-profit-college_n_997409.html. And what are those recruiters telling students? Don’t forget the GAO found that 15 out of 15 for-profit colleges deceived students about their graduates’ job prospects and salaries.

As you know, the current lawsuit against EDMC – joined by the US Department of Justice – was started by whistleblower recruiters from the call center. *See United States ex rel. Washington et al. v. Education Management Corp. et al.*, Civil No. 07-461 (W.D. Pa.); and DOJ announcement: <http://www.justice.gov/opa/pr/2011/August/11-civ-1026.html>.

And yet, even though a school is being sued by DOJ, the U.S. government still sends our limited taxpayer-funded GI Bill dollars there. Please.

Findings of consumer fraud and criminal misrepresentation are what has prompted **32 state Attorneys General** to investigate for-profit colleges in their states, using state consumer protection laws, with Colorado already achieving a **\$4 million settlement against Westwood**.

Here’s the kicker. Guess what the call center recruiters are telling prospective students? That their school will help the students get a job. But guess how many job placement staff they have? Many for-profits have zero. The University of Phoenix, owned by Apollo, has 8,000 recruiters promising great jobs to their prospective students, but zero job placement staff. Zero. Apollo took in \$1 billion in Pell grants and \$130 million in GI Bill dollars, and set aside \$1 billion to profit, and \$1 billion for recruiting and marketing. But, they spend zero on job placement! And how much do they spend to educate students? Less than \$900 per student per year. Read the report on Apollo at:

http://www.help.senate.gov/imo/media/for_profit_report/PartII/Apollo.pdf

Taxpayers would be outraged if they had any idea the GI Bill is being spent on millionaire salaries, fancy TV ads, and predatory call centers. The veterans groups who have learned it are beyond outraged.

Unfortunately, students who do graduate from some predatory for-profit colleges are finding they cannot get a job. Veteran job placement services, such as VetJobs, advise veterans to remove from their resumes the names of certain predatory for-profit colleges because those school names are only hurting the veterans on the job market.

The Departments of Defense and Veterans Affairs have told us, for two years running, that they are simply not equipped to make judgment calls about educational quality. They have explicitly told us they rely on the educational judgment of the Education Department to weed out subpar programs. VA and DOD say that only the Education Department is equipped to know where to draw the line.

Therefore, the nations' veterans and servicemembers are relying on you, the Education Department, to draw that line, to weed out subpar programs.

Only you, the Education Department, can protect the promise of the GI Bill and ensure that the programs approved for GI Bill dollars and DOD education aid actually provide the education that veterans and servicemembers need and deserve in return for their service. Only you, the Education Department, can ensure that limited taxpayer dollars are invested in worthwhile programs.

You've got to weed these programs out.

Online Education Does Not Need to Be Subpar

Before you accept the for-profits' line that this is as good as it gets for online education, consider the not-for-profit Western Governors' University (WGU). <http://www.wgu.edu/>. Although 75% of its students are "underserved" (low-income, minorities, rural, first generation to complete college) and 65% of its students work full-time in addition to school, WGU nevertheless has high graduation rates and job placement rates and low loan default rates. Its one year retention rate is 78%, and 80% of its students are in good standing. It costs only \$6,000 per year per student. And 97% of its students and graduates are pleased with their experience and would recommend it to others. More important, 98% of employers find the graduates of WGU as good as, or better than other universities (a full 42% think WGU graduates are better). The key? Instead of setting aside federal aid to marketing, recruiting, Wall Street profit, and millionaire salaries, Western Governors' University invests in educating its students, with hands-on mentors. <http://www.help.senate.gov/imo/media/doc/Mendenhall1.pdf>.

As you also are well-aware, Stanford, MIT, Harvard, and others are leading the way in the Massively Open Online Curriculum (MOOC's), making available online to

the public the very high quality Ivy League education. See <https://www.edx.org/>.

Finally, as you may know, Carnegie Mellon University's Open Learning Initiative has developed a series of very high quality online curriculums for use by community colleges. See <http://oli.cmu.edu/>

Online education does not need to be subpar.

Make a Stronger Rule This Time

You can create a stronger rule this time. **You know more this time around.** Since you last promulgated a rule, you have additional information:

- The two-year Senate investigation and 2,000 page report with indisputable facts and data.
http://www.help.senate.gov/imo/media/for_profit_report/Contents.pdf.
- Senate Committee report on military and veterans: "Benefitting Whom?: For-Profit Education Companies and the Growth of Military Educational Benefits. <http://www.harkin.senate.gov/documents/pdf/4eb02b5a4610f.pdf>
- Six Senate HELP Committee Hearings:
http://www.harkin.senate.gov/help/video_hearing.cfm#1;
http://www.harkin.senate.gov/help/video_hearing.cfm#5
- A Senate Government Affairs Committee Hearing specifically on military and veteran students at for-profit colleges. Please read the testimony and watch the hearing video at:
<http://www.hsgac.senate.gov/subcommittees/federal-financial-management/hearings/improving-educational-outcomes-for-our-military-and-veterans>.
- GAO Report "Educational Experiences of Undercover Students":
<http://www.gao.gov/new.items/d12150.pdf>: Undercover students at 15 for-profit colleges found that all the colleges accepted subpar work, including the submission of photos of celebrities in lieu of essays, and that faculty encouraged cheating.
- GAO Report: "Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices":
<http://www.gao.gov/assets/130/125197.pdf>: Undercover tests at 15 for-profit colleges found that 4 colleges encouraged illegally fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants.
- DoJ lawsuit against EDMC. *United States ex rel. Washington et al. v. Education Management Corp. et al.*, Civil No. 07-461 (W.D. Pa.).
- CFPB complaints, available at
<http://www.consumerfinance.gov/complaintdatabase/>
- Hollister Petreaus' testimony before Congress:
<http://www.consumerfinance.gov/speeches/testimony-of-holly-petreaus-improving-educational-outcomes-for-our-military-and-veterans/> and
- Investigations by 32 state AGs – and some have already achieved

settlements. Investigations are available here:

<http://californiawatch.org/data/state-attorneys-general-investigating-profit-colleges>. Westwood Settlement is available here:

http://www.coloradoattorneygeneral.gov/press/news/2012/03/14/attorney_general_announces_45_million_settlement_westwood_college_address_dece

- And you've got data from your initial rule – schools failing miserably on 2 of your 3 tests and yet they continue on.

Data from your initial rule shows that your initial rule was too weak. Because the rule carried repercussions only if a program failed *all three metrics* in *three out of four years*, subpar programs were able to continue without having to make any improvements, such as the nursing aid certificate program at the Everest Institute in Miami with a 7% repayment rate and a 100% debt-to-discretionary income ratio; the health aid certificate program at Kaplan College in San Antonio with repayment rates below 10% and debt-to-discretionary income ratio of 100% or more; and the plumbing certificate program at Vatterot College in Missouri with the same numbers.

You can do better than a “9 strikes and you’re out” rule. Nine strikes is not how we play ball in America. It’s not how we honor the service of our American heroes who have sacrificed their bodies and psyches for our safety. Under your 9 strikes rule, programs could fail all 3 metrics in 3 out of 4 years and still keep getting taxpayer student aid. As a result, programs like the nursing aid certificate program at the Everest Institute in Miami would not face any consequences despite having a ridiculously low **7% repayment** rate and a **100% debt-to-discretionary** income ratio. The health aid certificate program at Kaplan College in San Antonio and the plumbing certificate program at Vatterot College in Missouri also have repayment rates below 10% and debt-to-discretionary income ratios of 100% or more.

Do you really think taxpayers want precious financial aid dollars going to programs that are almost complete failures? **Please be better custodians of taxpayer dollars.**

Please add interim consequences if a school is already failing 2 of the 3 tests.

If You Drop Your Rule, Schools’ Reforms Will Also Be Dropped

Your initial Gainful Employment rule has already helped prompt some of the biggest for-profit colleges to eliminate some of their worst programs, freeze their tuition costs, and make some reforms. Kaplan now offers a risk-free trial period so that students can drop out, without incurring debt, if they decide the program is subpar. This is laudable. It respects students and should be encouraged. But the Kaplan trial period will likely disappear if your gainful employment rule disappears.

For-profits have already made clear they will drop their reforms if you drop your Gainful Employment Rule. Industry analysts are abuzz about how the for-profits will reverse their reforms if you don’t hold their feet to the fire.

Please remember, VA and DoD say that only you are equipped to know where to draw the line to weed out subpar career colleges. Please draw that line. Vets should not come home and be scammed.

2. Institute a Rule Banning Federal Student Aid to Programs Whose Graduates are Not Eligible to Get Licensed (in Jobs That Require a License)

There is one utter waste of taxpayer dollars. And that is when the government allows precious student aid dollars to be spent on programs where the graduates are not even eligible to try to get licensed (in jobs that require a license), such as plumbers, electricians, lawyers, and most jobs in the health field.

Students who stick with the high tuition and “graduate” often discover the for-profit school lied to them about their eligibility to sit for any licensing exam required to get a job (especially jobs in the health and medical fields, but also law degrees). That’s right, for-profit colleges are telling students they can get a specific job requiring a license even though the college knows that its graduates are not eligible to even sit for the licensing exam! Please read the Senate report beginning at page 102.

Kaplan was nailed just last year by a local TV news station in Charlotte NC for convincing students to attend its “dental assistance” program even though it knew full well that its graduates could not work as dental assistants because Kaplan wasn’t eligible to teach them. <http://www.wsocvtv.com/news/news/whistleblower-9-students-say-they-were-misled-by-l/nGSy3/>

During the Senate Committee’s Investigation, one man testified before the Senate that Kaplan had promised him a bright future as a lawyer and only when he was hundreds of thousands of dollars into their “law school” did he learn – from an adjunct professor who had not known Kaplan was lying to students and inadvertently spilled the beans – that Kaplan’s “law graduates” are not eligible to sit for the bar exam in any state except California (where he does not live). Please review the hearing at <http://www.help.senate.gov/hearings/hearing/?id=2c199df0-5056-9502-5df0-feb236792b52>.

Also during the Committee’s Investigation, Yasmine Issa, a single mom of two kids testified before the Senate that she was duped into attending a program at Sanford Brown Institute to get a degree as a sonographer (to perform sonograms on pregnant women in an OB’s office). Only after she finished the program did she learn that her for-profit college did not leave her eligible to get the license to become a sonographer because it lacked “programmatic accreditation” for the sonography program (although the school was accredited overall to exist as a college). Please review the hearing at <http://www.help.senate.gov/hearings/hearing/?id=464686ba-5056-9502-5d95-e21a6409cc53>.

Why are you allowing Title IV dollars (and therefore GI Bill dollars, since the VA

follows your rules on where to send student aid) to be spent on programs where **you know from the outset the graduates are not eligible to sit for a licensing exam?**

That's an offensive abuse of veterans and other students. It is an insult to American taxpayers.

As you know, the Higher Education Act contains a “false certification” provision and the Education Department’s “False Certification” Rule require programs to prove they offer students an “ability to benefit.” But currently, your “False Certification” Rule is not sufficient.

Please update your False Certification rule – or institute a new rule – **to deny access to taxpayer federal student aid for those programs whose graduates are not eligible to be licensed (in fields requiring a license).** Put the burden on schools to prove to you that their graduates can benefit from the program, especially for jobs that require licenses the students are ineligible for, before you give them any precious taxpayer-funded student aid.

3. Regulate Lead Generators

We need a rule to stop the aggressive lead generators - because they are not regulated and fall outside the programmatic integrity rules forbidding incentive compensation and other abusive practices.

Lead generators are companies paid by the for-profits for each “lead” or prospective student they “generate” – basically for each prospective student name and contact they are able to pass to the for-profits. These companies operate outrageously immoral websites, including one (recently shut down by government intervention) that pretended to be the government’s GI Bill page but wrongly informed visitors to its webpage that the only schools that would accept GI Bill dollars are for-profits! Through legal action by the Kentucky Attorney General, and because of President Obama’s Executive Order 13607, this website, www.GIBill.com, was shut down and the company that owns it forced to pay \$2.5 million dollars. See <http://www.stripes.com/news/gibill-com-shut-down-in-settlement-over-defrauding-veterans-1.181490> and <http://migration.kentucky.gov/Newsroom/ag/quinstreetavc.htm>.

A simple Google search of “GI Bill” or of “student financial aid” will bring you to multiple lead generators – all of them obviously misleading students into taking on huge debts to attend expensive for-profit colleges, when free or low-cost public colleges are available – including: <http://www.military.com/education/gi-bill>.

Please also read Hollister Petreaus’ statement about lead generators: <http://www.consumerfinance.gov/speeches/prepared-remarks-by-holly-petreaus-at-the-attorneys-general-announcement-on-gi-bill-lead-generators-press-conference/>.

In addition, lead generators portray themselves, over the phone to prospective

students, as admissions officers, student aid helpers, and in many other fabricated ways designed to mislead students into signing up. **Please force lead generators to honestly disclose their role and job and please forbid them from claiming to be anything other than what they are. Please also force them to follow program integrity rules, such as a ban on incentive compensation.**

4. Institute a Rule to Require Schools to Disclose Key Facts So Students Can Make an Informed Choice

Just as Executive Order 13607 did for the GI Bill (*see* <http://www.gpo.gov/fdsys/pkg/FR-2012-05-02/pdf/2012-10715.pdf>), so too you should institute a disclosure rule requiring all schools receiving Title IV federal education aid to disclose the truth about:

- Their drop-out rate and how fast the students are dropping out. Some schools see the majority of their students drop out in the first 4 months. That means students are voting with their feet. If there's no education there, the students won't stay. Require schools to disclose the percent of students who drop out within the first 6 months, the first year, and also the percent of students who complete the program within the standard period, 150 percent of that, or 200 percent of that time.
- The median debt load of graduates.
- The default rate of students within three years of completing the program, and the school's cohort default rate as calculated by the Education Department. And require schools to explain it in simple terms so students understand, such as "the percent of borrowers who are defaulting on their loans."
- The job placement rate after graduation, including the average salary of graduates. And, importantly, the percent of graduates getting jobs in the field they studied. Make the rule strict enough that students are not considered "successfully employed" in their field if they are merely writing the chalkboard coffee specials at Starbucks but they have a graphic design degree – an example the Senate Committee found at a predatory college.
- The average wages graduates receive from their first employment after graduation.
- Whether the school's graduates are eligible to take the licensing exam for those professions that require licenses. (Unconscionably, many predatory schools offer programs in fields that require licensing knowing that their graduates are not eligible to even sit for the licensing exam, leaving the graduates unable to pursue the career they studied for and paid for.)
- Among those schools whose graduates are eligible to take the

licensing exam, what percent of the school's graduates are passing or failing that licensing exam.

- The transferability of student credits, especially to a public university.

Most importantly, require all these data points to be compared to the same data points at public colleges offering comparable programs, so that a student can find out how the graduation rate, debt load, job placement compare at a public college versus at a private college. So that students can make an informed choice.

5. Create Risk-Based Audits

Just as Executive Order 13607 did for the GI Bill (*see* <http://www.gpo.gov/fdsys/pkg/FR-2012-05-02/pdf/2012-10715.pdf>), so too you should institute risk-based audits under for Title IV programs that trigger one of several red-flag triggers. This is in order to protect students as well as taxpayer dollars. Red-flag triggers should include, at a minimum a review of any program if it:

- Is currently being sued or investigated by a state or federal government agency for civil or criminal offenses – for example, a school being sued for consumer fraud by DoJ, the Federal Trade Commission, or a State Attorney General. Student aid dollars should not continue to flow, without any review or audit, to schools are under investigation, or that have been successfully sued by state and federal agencies, for consumer fraud or defrauding the government or students.
- Shows rapid enrollment growth and significant growth in tuition and financial aid revenue;
- Charges high tuition;
- Reports a high cohort default rate;
- Has high drop-out rates;
- Has low “job placement” rates;
- Requires its students to waive their legal rights to recourse;
- Offers training for a job that requires a license where that school's graduates are not eligible to take the licensing exam;
- Has a high or increasing number of complaints by students; or
- Pays a “Lead Generator” for student prospects, since many of those generators use unethical means and deception to gain prospects.

6. Institute a Rule to Stop Manipulation of Cohort Default Rate and 90/10

Finally, we also would like to join with other civil rights, education, and veterans organizations in calling on you to create a rule to stop the manipulation of the Cohort Default Rate and 90/10 Rules.

The final report of the Senate investigation provided evidence that some **for-profit education companies are using multiple strategies to evade the spirit, if not also the letter, of current program integrity laws.** For instance, internal company documents obtained by the Committee indicate that some companies are delaying giving students their federal aid for the sole purpose of moving these funds into the next fiscal year in order to keep the school below the 90 percent federal funding limit in the 90/10 Rule. Other companies are pushing borrowers into forbearance or deferment for the sole purpose of delaying defaults until after the CDR window has closed. And many companies are combining campuses in their OPEID number to comply with 90/10 and CDR. And, of course, many companies are claiming their private loans are “third-party loans” for the sole purpose of staying below the 90 percent federal funding limit. This is especially offensive given that the for-profit schools often promote and sometimes sign students up for the school’s private student loan without the student’s understand or even knowledge!

7. Institute a Rule to Standardize the Definition of “Job Placement”

The Senate HELP Committee found that many for-profit programs fudge their job placement numbers by counting as a “job placement” ridiculous jobs – such as a for-profit school that counted a Starbucks barista as successfully placed in “graphic design” because they helped write the specials on the Starbucks chalkboard.

There currently is no standard definition of a job placement so, for instance, students who were employed for just a day or in a position that did not require the degree may be counted as a job placement.

In addition, accreditors have different methodologies for defining a job placement, so rates using one methodology cannot be compared with rates using another. And regionally accredited schools are not required to report any job placement rates (e.g., University of Phoenix, Kaplan, Bridgepoint’s Ashford). As you know, many for-profit colleges have falsified and inflated their job placement rates.

Please develop minimum standards for job placement rates and for how they are to be calculated, force schools to disclose their methodology, and require schools that are required by their accreditor to report job placement rates to have those placement rates independently audited.

Conclusion

The Departments of Defense and Veterans Affairs repeatedly told us that only the Education Department is equipped to make judgment calls about educational quality and to know how to draw the line on subpar programs. Therefore, veterans are counting on you to step up and draw that line.

We cannot plead strongly enough with you to please issue a strong gainful employment rule as well as other rules to provide some **protection to veterans who have given so much of themselves to America but who now are being duped** into extremely expensive, subpar educations – **wasting their one shot at the GI Bill and the American Dream.**

Appendix I: Coalition Letter to President Obama re: Gainful Employment

The Honorable Barack Obama
President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500

April 15, 2013

Dear Mr. President:

Our organizations, which work on behalf of students and college access, consumers, veterans, and civil rights, thank you for your determined effort to protect students and taxpayers from fraud and abusive practices in career education programs. We were deeply grateful when you stood with soldiers at Fort Stewart last year and announced new measures to curb deceptive recruiting and poor quality programs that over-charge and under-deliver.

Now that the Department of Education has announced that it will initiate new proceedings, **we write to strongly urge your Administration to promptly begin**

rulemaking to effectively enforce the statutory “gainful employment” requirement for career education programs.

Since your Administration issued final gainful employment regulations in June 2011, new information about for-profit college fraudulent conduct, sky high tuitions, and bad student outcomes have reinforced the urgent need for a strong gainful employment rule. While there are some responsible companies providing quality programs, the latest facts, including the comprehensive report from the Senate Health, Education, Labor and Pensions Committee’s two-year investigation of the for-profit college industry issued last year, show that the problems are egregious and widespread, and certainly not limited to a handful of bad actors.

Across the country, students and former employees have emerged to provide accounts of deceptive marketing, coercive recruiting, false reporting to authorities, poor quality teaching, and illusory job placement efforts.

The effects on students are clear: More than half of the students who enrolled in for-profit colleges in a recent year dropped out within about four months, without a degree or certificate. For-profit colleges have 13 percent of the students, but 47 percent of student loan defaults. Twenty-three percent of their borrowers default on their loans within three years of graduating or dropping out.

Abuses by for-profit colleges imperil your efforts to help Americans successfully train for careers at prices they can afford. These schools have consumed as much as \$32 billion in federal financial aid in a single year, about 25 percent of all such aid. The 15 big publicly traded companies in this sector receive about 86 percent of their revenue from taxpayers. At this time of fiscal challenge, we cannot afford to divert so many scarce education dollars to programs that are wasteful and, indeed, harmful to our students. And the high dropout rate of many of these schools imperils your critical goal that America have the highest proportion of college graduates in the world by 2020.

More than ever, we need a rule that ends federal financial aid for programs that *consistently* leave students – our veterans, working parents, and other Americans struggling to build new lives – without decent incomes and with insurmountable debt. Federal aid should only go to career education programs that effectively train students and help them build careers.

Last year a federal district judge upheld the Department of Education’s authority to issue regulations to enforce the statutory requirement that career education programs receiving federal funding, whether at for-profit, public or nonprofit colleges, “prepare students for gainful employment in a recognized occupation.” However, the judge has vacated the 2011 gainful employment regulation, finding defects in two areas. Regardless of whether the Administration appeals these rulings, nothing in the court’s opinions prevents the Administration from promptly proposing a strong new gainful employment rule. In fact, the district court confirmed the need for the regulation, concluding, “The Department has set out to address a serious policy problem, regulating pursuant to a reasonable

interpretation of its statutory authority....Concerned about inadequate programs and unscrupulous institutions, the Department has gone looking for rats in ratholes — as the statute empowers it to do.”

The data that the Education Department published last year under the 2011 rule demonstrate precisely why a strong gainful employment rule is so urgently needed: 65 percent of the programs failed at least one of three minimal tests aimed at protecting students, and five percent—193 programs at 93 different for-profit colleges—failed all three tests. While the 2011 rule was not as strong as we believe was appropriate, the threat of real sanctions under the final rule has already helped prompt some of the biggest for-profit colleges to eliminate some of their worst programs, freeze their tuition costs, and make some reforms, like giving students trial periods before banking their tuition checks. Without an effective gainful employment rule, these modest changes might well be reversed.

Today, as a result of government and media investigations, there is much stronger public awareness of abuses in the career education sector, as compared with just a few years ago. Public anger is growing that taxpayers are subsidizing an industry rife with a toxic mix of misleading sales tactics, unmanageable student debts, low completion rates, high CEO pay, and growing evidence of fraud.

The Justice Department, Securities and Exchange Commission, and Consumer Financial Protection Bureau are all now investigating misconduct by for-profit colleges. A bipartisan group of 32 state attorneys general is cooperating to investigate and combat fraud and other unlawful actions by companies in this sector.

We also see a growing number of Members of Congress who are strongly committed to standing with their constituents – constituents who themselves have been abused by for-profit colleges or are simply taxpayers who cannot understand why their money is subsidizing these companies. These Members of Congress are committed, as you have been, to providing leadership on making college more affordable and rooting out waste, fraud, and abuse.

Remarkably, big for-profit colleges continue to resist meaningful reforms. The industry has devoted millions of dollars to lobbying and litigating to weaken and block your Administration’s rules to hold bad actors accountable. It would be a tragedy for students and taxpayers alike if they were allowed to prevail.

We ask for your renewed leadership at this critical time to promptly issue a strengthened gainful employment rule and take other steps to enforce current laws and improve higher education and career opportunities for all Americans. We and our members and supporters across America will work with your Administration to get this critical job done.

Sincerely,

Air Force Sergeants Association (AFSA)

American Association of University Professors (AAUP)

American Association of University Women (AAUW)

American Federation of Teachers

Americans for Financial Reform

Association of the United States Navy (AUSN)

Campus Progress Action

Center for Law and Social Policy

Center for Public Interest Law

Center for Responsible Lending

Children's Advocacy Institute

Consumer Action

Consumers Union

Council for Opportunity in Education

Crittenton Women's Union Initiative to Protect Student Veterans

Iraq and Afghanistan Veterans of America (IAVA)

The Education Trust

The Institute for College Access & Success

The Leadership Conference on Civil and

Human Rights

League of United Latin American Citizens

MALDEF

Mississippi Center for Justice

NAACP

National Association for Black Veterans, Inc. (NABVETS)

National Association for College Admissions Counseling

National Consumer Law Center (on behalf of its low-income clients)

National Consumers League

National Education Association

The National Guard Association of the United States (NGAUS)

NCLR (National Council of La Raza)

Neighborhood Economic Development Advocacy Project

NYPIRG

Paralyzed Veterans of America

Public Advocates Inc.

Public Citizen

Rebuild the Dream

Returning Veterans of America

Service Employees International Union

United States Student Association

U.S. PIRG

Veterans Education Success

VetJobs

VetsFirst, a program of United Spinal Association

Vietnam Veterans of America

Young Invincibles

cc: Hon. Arne Duncan, Secretary of Education Hon. Cecilia Muñoz, Director, White House Domestic Policy Council Hon. Gene Sperling, Director, White House National Economic Council Hon. Sylvia Mathews Burwell, Director, Office of Management and Budget

Appendix II: Holly Petraeus' Op-Ed in *New York Times*

September 21, 2011

New York Times

For-Profit Colleges, Vulnerable G.I.'s

By Hollister Petraeus

MILITARY personnel and their families are finding themselves under siege from [for-profit colleges](#). A number of these schools focus on members of the armed forces with aggressive and often misleading marketing, and then provide little academic, administrative or counseling support once the students are enrolled.

Vast sums are involved: between 2006 and 2010, the money received in [military education benefits](#) by just 20 for-profit companies soared to an estimated \$521.2 million from \$66.6 million.

The government provides two important educational benefits to service members: the Tuition Assistance program for service members on active duty, and the G.I. Bill, which is mostly used for education after military service.

Today's veterans are eager to earn post-secondary degrees — and to replicate the example of the generation that returned from World War II and fueled our prosperity. But their desire for learning is too often exploited by unscrupulous for-profit colleges.

The schools have a strong incentive to enroll service members and veterans, in large part because of the “90-10 rule” created by the 1998 amendments to the Higher Education Act. Put simply, the rule says that a for-profit college must obtain at least 10 percent of its revenue from a source other than Title IV education funds, the primary source of federal student aid. Funds from Tuition Assistance and the G.I. Bill are not defined as Title IV funds, so they count toward the 10 percent requirement, just like private sources of financing.

Therein lies a problem. For every service member or veteran (or spouse or child, in the case of the post-9/11 G.I. Bill) enrolled at a for-profit college and paying with military education funds, that college can enroll nine others who are using nothing but Title IV money.

This gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in and take out private loans, which students often need because the federal grants are insufficient to cover the full cost of tuition and related expenses.

One of the most egregious reports of questionable marketing involved a college recruiter who visited a Marine barracks at Camp Lejeune, N.C. As the PBS program “Frontline” reported, the recruiter signed up Marines with serious brain injuries. The fact that some of them couldn't remember what courses they were taking was immaterial, as long as they signed on the dotted line.

Some for-profit colleges have also created Web sites with military-sounding names. Although they present themselves as offering unbiased advice on G.I. Bill benefits, some are using deceptive methods to bring in students.

For example, I looked at one of these sites and found that the schools listed on the home page as “G.I. Bill schools” all happened to be for-profit colleges. On another site, a member of my staff filled out an application asking what the school would recommend if he had a law degree and a postdoctoral degree in physics. Their suggestion: get a vocational certificate at a local for-profit college.

To be sure, there are some for-profit colleges with a long record of serving the military, solid academic credentials and a history of success for their graduates. But, compared with other schools, for-profit colleges generally have low graduation rates and a poor record of gainful employment for their alumni.

A number of for-profit colleges have questionable academic credentials or lack accreditation accepted by other institutions. This makes it very difficult for students to transfer credits to other schools. Not surprisingly, for-profit colleges also tend to have a higher-than-average [student loan](#) default rate, which means that, in the end, the college experience there may hinder, rather than help, the careers and financial prospects of their graduates.

Prior to the Military Lending Act of 2007, which capped the annual interest rate for some consumer loans to service members at 36 percent, they were victims of unchecked payday lending and other predatory financial services. I see a parallel in what is happening today with for-profit colleges.

As long as military education funds are on the 10 percent side of the 90-10 rule, service members will be a lucrative target for exploitation. As Congress explores legislative solutions at a hearing today, it is critical that federal agencies redouble efforts to prevent aggressive and deceptive practices. The benefits provided to our military and their families should not be wasted on programs that do not promote — and may even frustrate — their educational goals.

Hollister K. Petraeus is the assistant director for service member affairs at the Consumer Financial Protection Bureau. Her husband, David H. Petraeus, is the director of the C.I.A. and a retired Army general who commanded American forces in Iraq and Afghanistan.