The Leadership Conference
on Civil and Human Rights

1629 K Street, NW
10th Floor
Washington, DC
20006

202.466.3311 voice
202.466.3435 fax
www.civilrights.org

The Leadership Conference

Testimony of Wade Henderson, President and CEO
The Leadership Conference on Civil and Human Rights

Committee on Health, Education, Labor and Pensions
U.S. Senate

Hearing on "Drowning in Debt: Financial Outcomes of Students at For-Profit Colleges"
June 7, 2011

Good morning, Chairman Harkin, Senator Enzi, and members of the Committee. I am Wade Henderson, president and CEO of The Leadership Conference on Civil and Human Rights, the nation's premier civil and human rights coalition, representing more than 200 national organizations working to build an America that's as good as its ideals. I am also proud to serve as the Joseph L. Rauh, Jr., Professor of Public Interest Law at the David A. Clarke School of Law, University of the District of Columbia.

Thank you for inviting me here today to testify on why the civil rights community strongly supports the efforts of this Committee and those of the Obama administration to expand access to postsecondary education. Mr. Chairman, before I get into the substance of today's hearing, I want to particularly commend *your* efforts in the recent and ongoing appropriations process to protect education funding, and especially Pell grants, which are a lifeline for low-income and working families seeking to send their children to college.

The Leadership Conference believes that access to education is a fundamental civil and human right. This principle is especially important at a time when educational attainment and access to employment are more closely intertwined than ever before. We live in the age of the global economy where quality K-12 public education and postsecondary opportunities are necessities and job-related skills are in increasingly high demand.
We know that if we don't educate all children – and educate them well – our future as a nation is in serious jeopardy.

And today, Mr. Chairman, we also know that postsecondary education is as important to a person's ability to raise a family and achieve the American dream as a high school diploma was when you and I were growing up. For example, the most recent report on *The Condition of Education 2011* by the Institute for Education Sciences' National Center for Education Statistics (hereinafter "NCES Report") reported that in 2009 "young adults with a bachelor's degree earned more than twice as much as those without a high school diploma or its equivalent, 50 percent more than high school completers, and 25 percent more than those with an associate's degree."[1] The NCES data also underscore the importance of higher education to women and their families. For example, while earnings of male high school dropouts ($23,000) are close to the federal poverty level, female high school dropouts earn far less ($19,000).[2] And women who obtain associates degrees ($31,000) still do not earn what men with high school diplomas earn ($32,900).

The Leadership Conference recognizes the vital role that postsecondary education of all types, including in for-profit settings, can play in educating and preparing young people for the jobs and careers of today and tomorrow. The sector's enrollment has more than tripled over the last decade and now comprises 11 percent of the nation's full-time undergraduate enrollment. It enrolls disproportionate numbers of women, minorities, low-income students, veterans, and older Americans, including many working people seeking to further their careers through online coursework.

We are alarmed, however, about mounting evidence that the for-profit sector is engaging in predatory lending practices, overcharging for their product, failing to deliver on programs leading to "gainful employment," leaving large numbers of students saddled with enormous debt, and leaving taxpayers holding the bag. For-profit colleges are a viable option for many students who may not have very many other options, but that doesn't give these businesses the right to exploit those they serve.

According to the NCES Report, the General Accounting Office, and this Committee's own investigation:

- For-profit colleges charge students more, while shortchanging their education. For example, four-year undergraduate for-profit colleges charge an average net price of $30,900 per full-time school year, much higher than both public ($15,600) and private not-for-profit ($26,600) schools.[3] At two-year institutions, the net price at for-profit schools ($24,700) is more than twice that at public schools ($10,300).[4]

- Yet NCES found that private for-profit colleges spend an average of only $3,069 per student on academic instruction, whereas public institutions spend an average of $7,534 per student and private not-for-profit schools spend an average of $15,215 per student on instruction. As a consequence of their high price tags and low investment in student

[1] http://nces.ed.gov/programs/coe/figures/figure-er2-2.asp

[2] The 2011 federal poverty guideline for a family of four is $22,350. http://aspe.hhs.gov/poverty/11fedreg.shtml

[3] NCES Report, Indicator 47-2, "Average total price, grants, and net price for full-time, dependent undergraduates at 4-year institutions, by institution control: Academic year 2007-08."

[4] NCES Report, Indicator 47-1, http://nces.ed.gov/programs/coe/figures/figure-cst-1.asp

The Leadership Conference

learning, for-profits can channel a substantial portion of their income to marketing and profits.

- At Bridgepoint Education, Inc., for example, marketing accounted for 29.7 percent of spending in 2010 and profit 30.3 percent. The remainder 40 percent covered instruction, student services and faculty salaries, along with lobbying, administration, and executive compensation.[5] The company reported compensating their CEO more than $20 million in 2009.

- For-profit career programs' recruiting practices often target low-income and minority students, women, veterans, and older students seeking to obtain marketable skills in this difficult economy. While seeking to exploit prospective students' vulnerabilities, these programs fail to provide sufficient or accurate consumer information on the impact of high student loan debt (which is not dischargeable in bankruptcy) and on the quality and track record of their programs. For example, in documents obtained by this Committee, one company's training manual identified the following "student profiles" for recruitment:[6]

    - Welfare Mom w/Kids
    - Pregnant Ladies
    - Recent Divorce
    - Low Self-Esteem
    - Vocational Rehabilitation
    - Experienced a Recent Death
    - Physically/Mentally Abused
    - Drug Rehabilitation
    - Fired/ Lay Off

- Yet many of these programs fail to deliver on their promises to educate students for "gainful employment," as required under the Higher Education Act and recently promulgated regulations from the Department of Education. Instead, their record is one of high withdrawal and staggeringly high debt. For example, the companies posting the highest withdrawal rates for associate degree student at their schools (ranging from 58 percent to 84 percent in 2009) enroll more than one million students, and nearly half of all for-profit students.

- The for-profit sector is leaving students with a mountain of student-loan debt. According to the NCES Report, 10.9 percent of students who attended four-year for-profit institutions default on their loans within two years of starting repayment, which is more than twice the percentage at public and private not-for-profit schools.

---

[5] Bridgepoint Education, Inc. SEC Statements, provided to Senate HELP Committee.
[6] Vatterott Training Manual for Recruiting Staff

The Leadership Conference

- According to Campus Progress, 11 percent of all of higher education students in the country attend for-profit schools, yet they account for 26 percent of federal student loans and 44 percent of student loan defaults.[7]

Mr. Chairman, I recently had the privilege of co-authoring an op-ed with the distinguished Congressman from San Jose, California, Representative Michael Honda, D. Calif., which I have appended to this testimony. In it, we sought to remind readers of the parallels between the victimization of students by the for-profit sector and the disastrous mortgage foreclosure crisis The Leadership Conference has been fighting for years. We wrote:

> "The subprime mortgage disaster caused the greatest loss of wealth from communities of color in modern American history. When banks misled African-American, Asian-American and Latino borrowers into taking on crushing home mortgage debt they could never hope to pay back, we called it what it was -- predatory lending.
>
> Today, many for-profit colleges have picked up where the subprime lenders left off. They are using the same promise of the American dream as bait to trap vulnerable students -- the vast majority of whom are women and minorities -- into underperforming schools and saddling them with a lifetime of debt.…
>
> As this industry's profits have soared, so have student loan default rates. Students enrolled in for-profit schools represent just 10 percent of all undergraduate students, but account for 44 percent of all student loan defaults.
>
> The industry says that these schools offer opportunities to low-income students that they couldn't get elsewhere. But the debt being piled on students has devastating consequences, rendering them unable to receive credit to rent an apartment, buy a car or home, or receive future education loans. When these programs fail to deliver on their promises, students suffer for the rest of their adult lives and taxpayers are left on the hook.
>
> The industry is targeting and taking advantage of women, minority and low-income students. Approximately one out of every four African-American, Asian-American, Latino and low-income students start their postsecondary education at a for-profit institution. But their graduate rates are far below the rates for such students at public and nonprofit colleges. Just like the subprime mortgage lenders, this industry is profiting off the misery of our country's most vulnerable communities.
>
> Once the industry had gotten its cut from the government's financial aid program, it left its students without an adequate education, without a job, and with an insurmountable debt load.

[7] http://thinkprogress.org/education/2011/02/04/177517/for-profit-data/

> …This industry has destroyed people's futures, cost our government billions of dollars, and gotten rich by selling false hopes to those who most need a quality education. It's time for common sense reforms, which will hold the industry accountable to these students and to taxpayers."

Before I close, I would like to say a word about the final "gainful employment" rule that was released last week by Secretary Duncan.

The Leadership Conference believes this rule is a long-overdue and important step in protecting students and taxpayers from unscrupulous career education programs.

While the rule does *not* include many important protections urged by civil rights, student, women's, labor and consumer organizations, it sends a strong message to many for-profit programs to start putting students first. *Regulation is urgently needed* to hold these institutions accountable, given the rising tide of debt and default rates faced by students enrolled in for-profit programs – the vast majority of whom are represented by our coalition's member organizations. Its focus has been narrowed to those programs that, after four years, still fall far short on delivering a quality education. Those programs that serve their students well, however, will easily pass muster under the rule.

But just as Wall Street has fought the Consumer Financial Protection Bureau and other financial reforms, the for-profit higher education industry is fiercely resisting reasonable and modest oversight. It spent more than $4 million on hired lobbyists in the first quarter of 2011 alone.

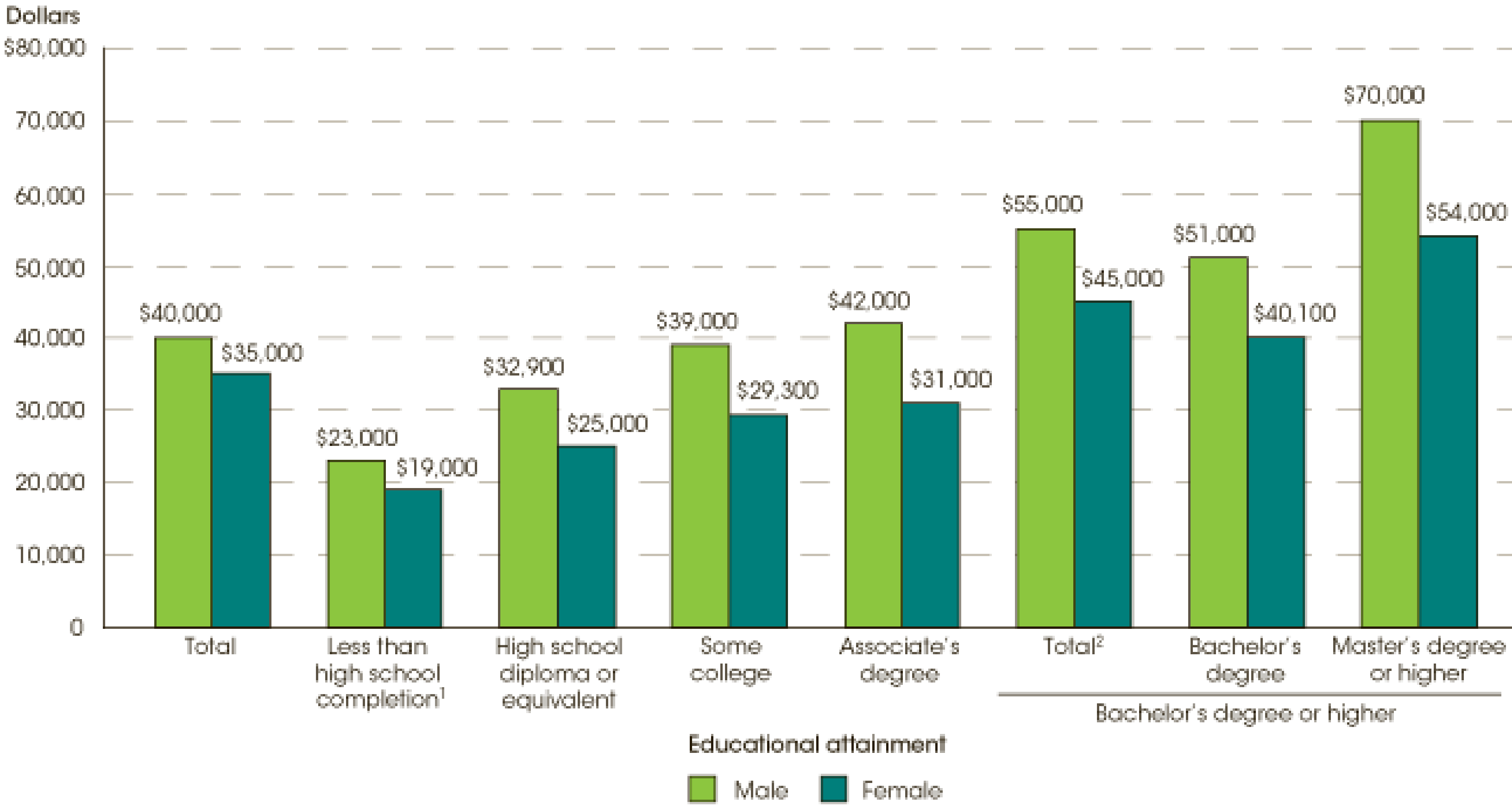
The Leadership Conference has commended members of Congress – including substantial majorities of the Congressional Black Caucus, the Congressional Hispanic Caucus and CAPAC – who opposed efforts to tie the Secretary's hands by prohibiting issuance or enforcement of this rule. We will continue to urge all members of both the Senate and the House to stand behind the President and allow the Secretary to begin enforcing it.

Our nation's future depends to a large degree on how well we educate the next generation. We will succeed only if we allow students a fair opportunity to obtain the skills and knowledge they need to fully participate in our economy and our society. The new "gainful employment" rule, adequate funding for both ESEA and student financial aid programs, and continued efforts of both the Department and this Committee, will help ensure they get that chance.

Thank you.

The Leadership Conference

Figure 17-2: Median annual earnings of full-time, full-year wage and salary workers ages 25-34, by educational attainment and sex: 2009



[1] Young adults in this category did not earn a high school diploma or receive alternative credentials, such as a General Educational Development (GED) certificate.
[2] Total represents median annual earnings of young adults with a bachelor's degree or higher.
NOTE: *Full-year worker* refers to those who were employed 50 or more weeks during the previous year; full-time worker refers to those who were usually employed 35 or more hours per week. For more information on the Current Population Survey (CPS), see supplemental note 2.
SOURCE: U.S. Department of Commerce, Census Bureau, Current Population Survey (CPS), March and Annual Social and Economic Supplement, 2010.

The Leadership Conference

http://www.contracostatimes.com/ci_18200258?IADID

CONTRA COSTA TIMES
ContraCostaTimes.com

Stop predatory lending by for-profit colleges

By Rep. Michael Honda and Wade Henderson
Contra Costa Times

THE SUBPRIME mortgage disaster caused the greatest loss of wealth from communities of color in modern American history. When banks misled African-American, Asian-American and Latino borrowers into taking on crushing home mortgage debt they could never hope to pay back, we called it what it was -- predatory lending.

Today, many for-profit colleges have picked up where the subprime lenders left off. They are using the same promise of the American dream as bait to trap vulnerable students -- the vast majority of whom are women and minorities -- into underperforming schools and saddling them with a lifetime of debt.

The costs to these students and taxpayers are tremendous. In the 2008-09 school year, the federal government invested more than $4 billion in grant aid to for-profit institutions, quadruple its investment just a decade earlier.

Despite this increased federal assistance, tuition at for-profit institutions continues to far outpace other schools, costing more than five times as much as community colleges. These for-profit schools are gaming the system -- undermining the value of these Pell grants and forcing students to take out more loans, not less.

As this industry's profits have soared, so have student loan default rates. Students enrolled in for-profit schools represent just 10 percent of all undergraduate students, but account for 44 percent of all student loan defaults.

The industry says that these schools offer opportunities to low-income students that they couldn't get elsewhere. But the debt being piled on students has devastating consequences, rendering them unable to receive credit to rent an apartment, buy a car or home, or receive future education loans. When these programs fail to deliver on their promises, students suffer for the rest of their adult lives and taxpayers are left on the hook.

The industry is targeting and taking advantage of women, minority and low-income students. Approximately one out of every four African-American, Asian-American, Latino and low-income students start their postsecondary education at a for-profit institution. But their graduate rates are far below the rates for such students at public and nonprofit colleges. Just like the subprime mortgage lenders, this industry is profiting off the misery of our country's most vulnerable communities.

We strongly believe that the Department of Education has taken the right step in proposing a common-sense rule that would hold these schools accountable for delivering on their education and career promises.

Under the rules, colleges that fail to demonstrate that their programs are preparing students for "gainful employment" would risk losing their eligibility to participate in federal education grant and loan programs.

All schools should be held accountable for the educations that they provide, including for-profits that have flown under the radar of regulation for far too long. These rules respond to the Department of Education's recent investigation finding that some in the industry were promising students job placement upon completion of their programs and failing to deliver on their promises.

Once the industry had gotten its cut from the government's financial aid program, it left its students without an adequate education, without a job, and with an insurmountable debt load.

Just as Wall Street is fighting to undermine the Consumer Financial Protection Bureau and other financial reforms, the for-profit college industry is fiercely resisting this reasonable oversight.

It spent more than $4 million on lobbyists in the first quarter of 2011 alone and has engaged in a documented campaign of staging false support in the very minority communities it is victimizing.

Nothing should stand in the way of real gainful employment rules. This industry has destroyed people's futures, cost our government billions of dollars, and gotten rich by selling false hopes to those who most need a quality education. It's time for common sense reforms which will hold the industry accountable to these students and to taxpayers.

Michael Honda, D-San Jose, is a member of House Budget and Appropriations Committees and chair emeritus of the Congressional Asian Pacific American Caucus. Wade Henderson is the president and CEO of The Leadership Conference on Civil and Human Rights and The Leadership Conference Education Fund.