



**Testimony of Pauline Abernathy, Vice President
The Institute for College Access & Success
Senate Committee on Health, Education, Labor, and Pensions
Hearing on “Drowning in Debt:
Financial Outcomes of Students at For-Profit Colleges”
June 7, 2011**

Chairman Harkin, Ranking Member Enzi and members of the committee, thank you for the opportunity to testify on the impact of debt on students who attend for-profit career colleges and the need for reforms to protect the substantial interests of both students and taxpayers.

The Institute for College Access & Success (TICAS) is an independent, nonpartisan, nonprofit research and policy organization based in Oakland, California. Our mission is to improve both educational opportunity and outcomes so that more underrepresented students complete meaningful post-secondary credentials and do so without incurring burdensome debt. Our Project on Student Debt, launched in 2005, focuses on increasing public understanding of rising student debt and the implications for individuals, families, the economy and society.

Our work has often focused on community colleges because they enroll the largest share of the nation’s low-income, underrepresented minority, older and part-time students, as well as the majority of adult students who work full-time while going to school.¹ However, in our ongoing analyses of student debt trends at the national, state and college levels, a disturbing pattern emerged that led us to look more closely at what is happening to students in the growing career college sector—also known as the proprietary or for-profit college sector.²

Compared to other types of colleges, career colleges have the dubious distinction of the highest share of students with debt—with the highest debt levels for degree completers and the worst federal student loan default rates. Career colleges now enroll approximately 1 in 10 post-secondary students in the U.S., but they absorb a far greater share of federal student aid: one in four federal Pell Grant and loan dollars goes to students in the career college sector. At the same time, career colleges also have the highest share of students taking out private (nonfederal) student loans—one of the riskiest ways to pay for higher education.³

Because the career college sector recruits and enrolls a disproportionate share of low-income students and students of color, we and many other student, civil rights, college access, consumer and veterans advocates are particularly concerned about the disparate impact of this sector’s alarmingly high student debt and default levels. Considered together, the career college industry’s rapid growth, aggressive recruiting practices, heavy reliance on federal funds, high

¹ Calculations by The Institute for College Access & Success (TICAS) on data from the U.S. Department of Education, National Center for Education Statistics (NCES), National Postsecondary Student Aid Study (NPSAS), 2007-08, <http://nces.ed.gov/surveys/npsas>. Unless otherwise specified, “students” refers to undergraduate students throughout this testimony.

² The term “career colleges” refers to proprietary or for-profit colleges throughout this testimony.

³ Unless otherwise noted, in this testimony the term “private loans” refers to all nonfederal student loans.

student debt and default levels, and disproportionate enrollment of underrepresented students clearly point to high and rising stakes for both students and taxpayers.

High debt and loan defaults: Consequences for students and taxpayers

To be clear, not all student loan debt is harmful. Federal student loans fulfill their purpose when they help students get a quality education or training so they can pay off their loans, support themselves and their families and contribute to our society and economy—whether as teachers, truck drivers or technology entrepreneurs.

Indeed, because federal student loans can be a valuable tool both for expanding college access and supporting student success, we have urged all community colleges to participate in the federal student loan program, so that their students are not forced to rely on riskier and more expensive forms of credit if they need to borrow to stay and succeed in school.⁴

While student loans can help students acquire valuable skills and credentials, they do carry real risks for borrowers. High student loan debt, and even low debt when paired with low earnings, can leave students with unmanageable payments that can jeopardize their families' basic needs and lead to delinquency and default. Leaving college with burdensome debt can also prevent or delay borrowers from taking important steps that benefit not only individuals, but also our society and economy as a whole. These include starting a business, buying a home, marrying, having children, saving for retirement and saving for their own children's education.

Defaulting on a student loan has severe and long-lasting consequences.⁵ It can devastate a borrower's credit, making it difficult to rent an apartment or buy a car and, increasingly, to get a job. Borrowers may be hounded by collectors, and debt can balloon because of default and collection fees. Borrowers who default on federal student loans cannot get federal grants or loans to return to school, and the government can garnish wages, seize tax refunds and eventually dock Social Security payments. The debt can literally follow borrowers to the grave.

However, federal student loans provide a variety of tools and consumer protections that can help borrowers manage their debt and avoid default. For instance, TICAS developed the policy framework for what is now the Income-Based Repayment (IBR) program. IBR caps federal student loan payments at a reasonable percentage of the borrower's income and forgives any remaining debt after 25 years of responsible payments, or as soon as 10 years for borrowers who work in public service.⁶

Borrowers with *private* student loans, in contrast, can face much higher costs and have far fewer options when their payments become unmanageable. They are, ultimately, at the mercy of their lenders because private loans lack the important deferment options, affordable repayment plans,

⁴The Project on Student Debt. *Still Denied: How Community Colleges Shortchange Students by Not Offering Federal Loans*. April 2011. http://ticas.org/files/pub/still_denied.pdf.

⁵U.S. Department of Education. *Collections Guide to Defaulted Student Loans*. <http://www2.ed.gov/offices/OSFAP/DCS/index.html>. See also, Default and Delinquency, Student Loan Borrower Assistance, National Consumer Law Center. <http://www.studentloanborrowerassistance.org/default-and-delinquency/>.

⁶For more information on Income-Based Repayment, see www.IBRinfo.org.

loan forgiveness programs and cancellation rights in cases of death, severe disability and school closure that federal student loans provide. Experts agree that private student loans should only be used as a last resort.

Even borrowers in so much financial distress that they meet the requirements for declaring bankruptcy find it is nearly impossible to have student loan debt discharged, whether for federal or private loans. To put it plainly, it is currently easier to get relief from credit card and gambling debt than from student loan debt.

Student debt at career colleges: Most students borrow and they borrow more

Student loan debt is rising in all sectors of higher education, but the career college sector stands out with by far the highest share of students who borrow and the highest average debt levels. Any way you slice it, students at career colleges are much more likely to have debt than students at other types of schools. Nearly every student who attends a career college winds up with federal loans, private loans or both.

- In 2007-08, almost all undergraduates (97%) attending 2-year career colleges took out student loans, while only 13 percent of undergraduates attending public 2-year colleges took out student loans.⁷
- In 2007-08, 95 percent of undergraduates attending 4-year career colleges took out student loans, while only 47 percent of undergraduates attending public 4-year colleges took out student loans.⁸

Looking only at those who actually receive an associate's or bachelor's degree, nearly every student who graduates from a career college has loans, compared to significantly lower shares of graduates of other types of schools. And after graduation, degree holders from career colleges have a lot more debt to pay off, on average, than those who graduated with debt from public and nonprofit colleges.⁹

- At career colleges, 98 percent of associate's degree recipients had loans in 2007-08 and their average debt was \$19,700. At public and nonprofit colleges, 40 percent of associate's degree recipients had loans and their average debt was \$10,950.¹⁰
- At career colleges, 96 percent of bachelor's degree recipients had student loans in 2007-08 and their average debt was \$33,050. At public and nonprofit colleges, 65 percent of bachelor's degree recipients had loans and their average debt was \$22,750.¹¹
- Among bachelor's degree recipients, those who attended career colleges are much more likely to have *very high* debt. Almost one in four (24%) of all 2008 graduates from 4-year career colleges owed at least \$40,000 in student loans, compared to just six percent

⁷ Calculations by TICAS on data from U.S. Department of Education, NCES, NPSAS, 2007-08, <http://nces.ed.gov/survey/npsas>.

⁸ Ibid.

⁹ The term "nonprofit colleges" refers to private nonprofit colleges throughout this testimony.

¹⁰ Calculations by TICAS on data from U.S. Department of Education, NCES, NPSAS, 2007-08, <http://nces.ed.gov/survey/npsas>.

¹¹ Ibid.

of graduates from public 4-year colleges and 15 percent from nonprofit 4-year colleges. The average debt for all 4-year college graduates with loans, from all sectors, was \$23,200.¹²

Private student loans: A particular problem at career colleges

In addition to high overall student debt, the career college sector has the largest share of students with *private* student loans, which carry serious financial risks for borrowers. Like credit cards, private student loans typically have uncapped, variable interest rates that are highest for those who can least afford them. Lenders typically reserve the right to raise interest rates and charge high fees for myriad reasons and to declare borrowers in default for something as simple as being a day late on a payment.

Private student loan borrowers do not have access to the important deferment, repayment, or forgiveness options that come with federal student loans. This leaves most private loan borrowers at the mercy of the lender if they face financial distress due to unemployment, disability, illness or military deployment, or when a school shuts down before they can finish their certificate or degree.

The odds of taking out a private loan are highest for students at career colleges. Among all career college students, 42 percent used a private loan in 2007-08, the most recent year for which data are available. At nonprofit 4-year schools, 25 percent of students have taken out private loans; at public 4-year schools, only 14 percent; and at community colleges, just 4 percent.¹³

The *majority* of students who complete a degree or certificate at a career college have private loans.

- In 2007-08, 60 percent of students who completed an associate's degree at a career college had private loans, which is four times the rate for associate's degree completers at community colleges (15%).¹⁴
- For bachelor's degree completers, 64 percent graduated from career colleges with private loans, compared to 28 percent at public 4-year colleges and 42 percent at nonprofit 4-year colleges.¹⁵
- Half (51%) of those who completed a certificate at career colleges had private loans, compared to 12 percent at community colleges.¹⁶

While private student loans are no more a form of financial aid than a credit card is when used to pay for tuition or books, they are sometimes included in financial aid packages, and some colleges offer their own private loans directly to students. Some career colleges have been

¹² The Institute for College Access & Success. *High Hopes, Big Debts (Class of 2008)*. May 2010. http://ticas.org/files/pub/High_Hopes_Big_Debts_2008.pdf.

¹³ The Institute for College Access & Success. *Private Loans: Facts and Trends*. August 2009. http://projectonstudentdebt.org/files/pub/private_loan_facts_trends_09.pdf. Note that "private loans" here refers to bank and lender-originated private student loans, not all nonfederal student loans.

¹⁴ Baum, Sandy and Steele, Patricia. *How Much are College Students Borrowing?* The College Board. August 2009. http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf.

¹⁵ Ibid.

¹⁶ Ibid.

aggressively expanding their own private lending to students who are at very high risk of default.¹⁷

Pushing these students to take on private loan debt they cannot repay can be devastating for the students in the long run, but quite profitable for the school. For example, Corinthian Colleges reports that a “significant number” of its students have institutional loans as well as federal loans, and the company plans to double its institutional loan volume to \$240 million per year, even though it is writing-off 55 percent of these loans.¹⁸ Other large career college companies, such as ITT Educational Services and Career Education Corporation, are also lending to their own students, despite anticipating to write-off in excess of 40 percent of these loans.¹⁹

These companies consider these loans good investments because their profits from federal grant and loan dollars far outweigh these write-offs. Institutional lending became more common after career colleges successfully lobbied Congress in 2008 to be able to immediately count institutional loans towards the 10 percent of revenues they are required to get from sources other than federal student aid. From July 2008 through June 2012, the Higher Education Opportunity Act of 2008 (HEOA) temporarily lets them count the net present value of their institutional loans as non-federal revenue in the year the loans are made, rather than counting them as revenue if and when they are actually repaid by the students.²⁰

These career college institutional loans are attempts to get around market corrections that appropriately reduced access to expensive, subprime private loans for very high risk borrowers. In 2008, Sallie Mae stopped most of its lending to these types of schools because of high default rates and other questionable practices.²¹

Subprime institutional lending is also an attempt to evade the statutory requirement that someone other than the federal government should be willing to pay for a school’s education and training. Federal law allows career colleges to get up to 90 percent of their revenue from federal student

¹⁷ Pope, Justin. “For-Profit Colleges’ Increased Lending Prompts Concerns.” *Associated Press*. August 15, 2009. http://www.usatoday.com/news/education/2009-08-15-profit-college-lending_N.htm.

¹⁸ Corinthian Colleges Q3 2011 conference call. May 3, 2011. <http://newsroom.cci.edu/eventdetail.cfm?eventid=93960>.

¹⁹ Career Education Corporation Q1 2009 Earnings Call Transcript. May 7, 2009. <http://seekingalpha.com/article/136209-career-education-corporation-q1-2009-earnings-call-transcript?page=-1>. “For-Profit Schools Face Detention Not Expulsion.” *Wall Street Journal*. August 20, 2010. ITT Educational Services Q1 2011 Earnings Call. April 21, 2011. <http://www.ittesi.com/phoenix.zhtml?c=94519&p=irol-eventDetails&EventId=3923596>.

²⁰ “For loans made to students by the institution from July 1, 2008, but before July 1, 2012, the net present value of the loans made during a fiscal year if the loans are evidenced by promissory notes, issued at intervals related to the institution’s enrollment periods, and are subject to regular loan repayments and collections. For loans made on or after July 1, 2012, only the amount of loan repayments the institution receives during a fiscal year, excluding repayment on any loans for which the institution previously used the net present value in its 90/10 calculation.” From U.S. Department of Education, “Dear Colleague” letter summarizing the Higher Education Opportunity Act (DCL ID: GEN-08-12 FP-08-10). December 2010. <http://www.ifap.ed.gov/dpccletters/attachments/GEN0812FP0810AttachHEOADCL.pdf>.

²¹ “The Credit Crunch Takes a Toll.” *Inside Higher Ed*. January 23, 2008. <http://www.insidehighered.com/news/2008/01/23/credit>. See also, Burd, Stephen. *Subprime Mess Reaches Higher Ed*. Higher Ed Watch. January 31, 2008. http://higheredwatch.newamerica.net/blogs/education_policy/2008/01/subprime_student_loan_mess.

aid. It is common sense that if no one else is willing to pay for what a school offers, taxpayers should not be paying for it either.

Students who are pushed into private loans they cannot afford, whether the loan is from their school or an outside lender, are stuck with the debt even in bankruptcy, while the lenders can simply write off the bad debt and move on. Since 2005, bankruptcy law has treated private student loans much more harshly than other types of unsecured consumer debt, such as credit card debt and even gambling debt. Bills recently introduced in the U.S. Senate (S. 1102) and House of Representatives (H.R. 2028) would restore fair treatment to private student loan borrowers in severe financial distress.

Low-income and underrepresented minority students borrow more at career colleges

Most low-income and underrepresented minority students attend either public or nonprofit schools, with the greatest concentration at community colleges.²² Among all African-American and Hispanic undergraduates, nearly 8 out of 10 (78%) attended public or nonprofit schools in 2007-08, including 42 percent at community colleges, while 15 percent attended career colleges.²³ The proportions are similar for low-income students and adult students working full-time: 80 percent of students with below-median incomes attend public and nonprofit colleges, and 81 percent of students age 24 and older who are working full-time attend public and nonprofit colleges.²⁴

However, while most low-income and underrepresented minority students attend public colleges, these students are also heavily recruited by many career colleges, where they enroll disproportionately and in growing numbers.

- African-American and Hispanic students make up 28 percent of all undergraduates, but they represent nearly half (46%) of undergraduates in the career college sector.²⁵
- Low-income students, many of whom are also students of color, are also over-represented at career colleges; 64 percent of students attending career colleges have incomes below the median for all undergraduates.²⁶

The majority of students who are low-income, underrepresented minorities, and/or adults working full-time *do not take out student loans to pay for college*.²⁷ However, those who attend career colleges are much more likely to borrow – and borrow more – than their counterparts at

²² Unless otherwise specified, “low-income” refers to students whose family income is less than the median family income of all U.S. undergraduates. Family income includes the student’s income for all students plus parents’ income for dependent students and a spouse’s income for married independent students. According to the latest available federal data (NPSAS: 08), the median income for dependent undergraduate students was \$66,637 in 2008, and the median income for independent undergraduate students was \$26,099. Throughout this document, “underrepresented minorities” refers to African-American and Hispanic students.

²³ These percentages do not sum to 100 because some students attended more than one college during the 2007-08 year.

²⁴ Calculations by TICAS on data from U.S. Department of Education, NCES, NPSAS, 2007-08, <http://nces.ed.gov/surveys/npsas>.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

other types of schools. The data clearly show that across levels of income and categories of race/ethnicity, career college students borrow more than those who attend elsewhere.

- At career colleges, low-income and minority undergraduates are about *three times* more likely to borrow federal student loans – and *four times* more likely to borrow private student loans – as their counterparts at public or nonprofit colleges.²⁸
- Due at least in part to their over-representation at career colleges, 17 percent of African-American undergraduates took out a private student loan in 2007-08, making them the most likely to borrow these risky products among all racial and ethnic groups. Their rate of private loan borrowing has also risen the most steeply, quadrupling from 2003-04 to 2007-08.²⁹
- At career colleges, adults working full-time are almost *five times* more likely to borrow federal student loans – and over *six times* more likely to borrow private student loans – than their counterparts at public or nonprofit colleges.³⁰
- Pell Grant recipients who graduate from 4-year colleges are more likely to have debt – and to have high debt – if they attended a career college. Most Pell Grant recipients have family incomes below \$40,000. Among graduating seniors in 2008, 23 percent of Pell Grant recipients from career colleges carried at least \$40,000 in student loans, compared to 14 percent at all other colleges.³¹

Higher default rates at career colleges: Not just demographics

Students who attend career colleges face much higher odds of defaulting on a federal student loan than students who attend other types of schools. As a sector, career colleges have by far the highest default rate for federal student loans.³²

- Nearly half of all federal student loan borrowers who entered repayment in 2009 and defaulted by 2010 attended career colleges (47%), even though only about 10 percent of all students attended these schools.³³
- The average 2-year default rate for federal loan borrowers at career colleges is more than double the average rate at public colleges, and it is more than triple the rate at nonprofit colleges.³⁴

²⁸ Ibid.

²⁹ *Private Loans: Facts and Trends*, August 2009. Note that “private loans” here refers to bank and lender-originated private student loans, not all nonfederal student loans.

³⁰ Calculations by TICAS on data from U.S. Department of Education, NCES, NPSAS, 2007-08, <http://nces.ed.gov/surveys/npsas>.

³¹ *High Hopes, Big Debts (Class of 2008)*, May 2010.

³² Unless otherwise noted, default rates and shares of defaulters reflect only those who default within two years of first entering repayment. Federal student loan default data are not available by borrowers’ income or race/ethnicity.

³³ Calculations by TICAS on data from U.S. Department of Education, “FY 2009 Draft Student Loan Cohort Default Rates,” posted May 20, 2011, <http://ifap.ed.gov/eannouncements/attachments/052011AttachFY2009FY2009DraftNationalCDRWithPrior2yrscomparision.pdf>, and U.S. Department of Education, NCES, IPEDS, <http://nces.ed.gov/ipeds>. Default figures include borrowers who entered repayment in federal fiscal year 2009 and had defaulted by the end of the 2010 federal fiscal year.

³⁴ Ibid. These 2-year default rates include borrowers who entered repayment in federal fiscal year 2009 and had defaulted by the end of the 2010 federal fiscal year.

- The average 3-year default rate at career colleges is 22 percent, again more than double the rate at public colleges and triple the rate at nonprofit colleges (10% and 7%, respectively).³⁵ Career colleges with 3-year default rates over 40 percent received more than \$217 million in Pell Grants in 2009-10 alone.³⁶

While student demographics play a role, the evidence is clear that demographics are by no means the sole explanation for the sector's high default rates. Schools play an important role as well.

- The Career College Association's own study concludes that even after accounting for differences in student demographics, students attending career colleges are at least twice as likely to default as students at other types of colleges.³⁷
- Lenders report that the school attended affects a student's chance of default. In its private student loan business, Sallie Mae expects to see a 30 percent difference in default rates for a borrower with a FICO score greater than 700, "depending on the school that borrower attends."³⁸
- Career college industry executives regularly tell investors that they can lower their default rates. For example, in a recent press release, Corinthian Colleges attributes a drop in its default rates to "substantial investment in cohort default management over the past 18 months."³⁹
- A 2010 Education Sector report also documents the role schools can play in lowering default rates: "[T]he experience of the Texas HBCUs, along with a new statistical analysis of cohort default rates, suggests that dangerously high default rates for institutions that serve at-risk students are not inevitable...Their [the Texas HBCUs] success is not only applicable to other similar institutions, but to all schools that serve those students most at risk for default and who are committed to helping them succeed."⁴⁰

³⁵ Calculations by TICAS on data from the U.S. Department of Education, "Trial Three-Year Cohort Default Rates FY 2008," <http://federalstudentaid.ed.gov/datacenter/cohort.html>. Accessed May 19, 2011. These 3-year default rates represent federal student loan borrowers who entered repayment in federal fiscal year 2008 and defaulted by the end of the 2010 federal fiscal year.

³⁶ Calculations by TICAS on data from the U.S. Department of Education, "Trial Three-Year Cohort Default Rates FY 2008," <http://federalstudentaid.ed.gov/datacenter/cohort.html>, and U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports. <http://federalstudentaid.ed.gov/datacenter/programmatic.html>. Accessed April 26, 2011. These 3-year default rates represent federal student loan borrowers who entered repayment in federal fiscal year 2008 and defaulted by the end of the 2010 federal fiscal year.

³⁷ Charles River Associates for the Career College Association. *Report on Gainful Employment*. April 2010. http://www.whitehouse.gov/sites/default/files/omb/assets/oira_1840/1840_04232010-h.pdf.

³⁸ Student Lending Analytics. *Highlights of Sallie Mae Investor Meeting at Credit Suisse Conference*. February 12, 2010. http://studentlendinganalytics.typepad.com/student_lending_analytics/2010/02/highlights-of-sallie-mae-investor-meeting-at-credit-suisse-conference.html.

³⁹ Corinthian Colleges, Inc. *Corinthian Colleges Reports Fiscal 2011 Third Quarter Results*. May 3, 2011. <http://investors.cci.edu/releasedetail.cfm?ReleaseID=573924>.

⁴⁰ Dillon, Erin and Smiles, Robert. *Lowering Student Loan Default Rates: What One Consortium of Historically Black Institutions Did to Succeed*. Education Sector. February 2010. http://www.educationsector.org/usr_doc/Default_Rates_HBCU.pdf

Indeed, many career colleges *have* kept federal student loan default rates down during the period when cohort default rates are measured and could affect schools' eligibility for federal student aid. In preparation for the shift from measuring a school's cohort default rate based on the first two years of repayment to the first three years of repayment, the U.S. Department of Education has published data showing what school default rates would look like based on a three-year window. The default rates at 202 career colleges were at least *15 percentage points* higher for a three-year window compared to a two-year window (e.g., a school's default rate increased from 20 percent to at least 35 percent when the additional year was included).⁴¹ This suggests that the colleges kept defaults down during, but not after, the period in which they were being tracked as a measure of institutional accountability. These 202 career colleges collectively enrolled 13 percent of all students attending career colleges. By comparison, only 10 schools in all other sectors saw a similar increase in their default rates when the window was extended from two to three years, and these 10 schools enrolled one-tenth of one percent of students in all other sectors. Clearly, career colleges are not at the mercy of student demographics when it comes to managing default rates, and they have demonstrated a willingness and ability to be responsive to changes in policy that have implications for their bottom line.

Consequences of not completing are worse for students at career colleges

Completion rates vary considerably both across and within different types of schools.⁴² Some schools offer more support than others to help students succeed and do a better job of matching students with programs suited to them, and students can face all kinds of obstacles to completing their course of study, from financial challenges to family health crises.

Graduation rates are much lower at career colleges than at other types of colleges for students seeking bachelor's degrees, as documented by a report issued last year by the College Board.

- The six-year graduation rate for first-time, full-time bachelor's degree students is just 22 percent at 4-year career colleges, less than half the rate at public 4-year colleges (55%) and only a third of the rate at nonprofit 4-year colleges (65%).⁴³
- This rate is lowest for African-American students at career colleges (16%), much lower than for African-American students at public 4-year colleges (39%) or nonprofit colleges (45%). Career colleges also have the widest gap between bachelor's degree completion rates for African-American students and for White and Asian students.⁴⁴

⁴¹ Calculations by TICAS on data from the U.S. Department of Education, "Trial Three-Year Cohort Default Rates FY 2008." <http://federalstudentaid.ed.gov/datacenter/cohort.html>. Accessed May 19, 2011. Foreign institutions and institutions with 50 or fewer borrowers who entered repayment in federal fiscal year 2008 are excluded from the count of colleges with large increases in default rates.

⁴² See, for example: Haycock, Kati, Lynch, M., and Engle, J. *Opportunity Adrift: Our Flagship Universities are Straying from their Public Mission*. The Education Trust. January 2010. <http://www.edtrust.org/sites/edtrust.org/files/publications/files/Opportunity%20Adrift%28%29.pdf>. Hess, Frederick, et al. *Diplomas and Dropouts: Which Colleges Actually Graduate their Students (and Which Don't)*. American Enterprise Institute. June 2009. <http://www.aei.org/docLib/Diplomas%20and%20Dropouts%20final.pdf>. Miller, Ben, and Ly, P. "College Dropout Factories." *Washington Monthly*. August 23, 2010. http://www.washingtonmonthly.com/college_guide/feature/college_dropout_factories.php?page=all.

⁴³ Baum, Sandy, Ma, J., and Payea, K. *Education Pays: The Benefits of Higher Education for Individuals and Society*. The College Board. September 2010. http://trends.collegeboard.org/downloads/Education_Pays_2010.pdf.

⁴⁴ Ibid.

A recent study by The Education Trust found that low graduation rates at career colleges cannot be explained away by their admissions policies.

- At open admission colleges, where all applicants are admitted, the graduation rate at 4-year career colleges (11%) was about three times lower than the rates at public and nonprofit 4-year colleges (31% and 36%, respectively).⁴⁵
- At the most selective colleges, which admit less than 50 percent of applicants, career colleges still had the lowest graduation rates: 43 percent, compared to 62 percent at public colleges and 78 percent at nonprofit colleges.⁴⁶

These graduation rates, which all colleges report annually to the U.S. Department of Education, paint an incomplete picture because they only capture full-time students who complete a degree or certificate from the college where they first enrolled. However, recently released persistence and completion data from a national longitudinal study that includes part-time and transfer students reveal the same trends, not only for students pursuing bachelor's degrees, but for those pursuing associate's degrees and certificates as well.

Taking into account part-time and transfer students, students at career colleges still have the least favorable outcomes. Students who started at career colleges in 2003-04 were much less likely to complete a credential or stay enrolled than those who started at other types of colleges.⁴⁷ In other words, students who started at career colleges were more likely to drop out without a degree or certificate.

- More than three-quarters of students starting at public and nonprofit 4-year colleges persist or complete (78% and 81%, respectively), compared to less than half of students who first enroll at 4-year career colleges (45%).⁴⁸
- Students starting at public and nonprofit 2-year colleges have roughly comparable persistence and completion rates as those starting at 2-year career colleges, but they are more likely to complete credentials with higher value. Twelve percent of students starting at community colleges ended up completing a bachelor's degree within six years, compared to almost no students (0%) at 2-year career colleges.

Because nearly all students at career colleges borrow to cover the high costs, the consequences of not completing are far worse for students who drop out of career colleges. Drop-outs from career colleges are much more likely to have student loans and have higher debt than drop-outs from other colleges. Four out of five (81%) students who started at career colleges in 2003-04 and dropped out within three years took out student loans, compared to 23 percent of students who dropped out of public and nonprofit colleges. Of those who borrowed, the drop-outs from

⁴⁵ The Education Trust. *Subprime Opportunity: The Unfulfilled Promise of For-Profit Colleges and Universities*. November 2010. http://www.edtrust.org/sites/edtrust.org/files/publications/files/Subprime_report_1.pdf. The study measured six-year graduation rates at 4-year colleges.

⁴⁶ Ibid.

⁴⁷ *Persistence and Attainment of 2003-04 Beginning Postsecondary Students: After 6 Years*. December 2010. U.S. Department of Education, National Center for Education Statistics. <http://nces.ed.gov/pubs2011/2011151.pdf>

⁴⁸ Ibid.

career colleges left with much higher debt (17% more) than students who dropped out from public and nonprofit colleges.⁴⁹

Moreover, students who drop out of career colleges are much more likely to default on their federal loans than students who drop out of other types of colleges. More than one in five (23%) students who started at career colleges in 2003-04 and dropped out within three years were in default on their federal student loans in 2009, compared to three percent of students who dropped out of public and nonprofit colleges.⁵⁰

In other words, students are taking a much bigger risk by going to a costly career college than to a community college. Students who do not or cannot finish a program of study at a career college are likely to be left with a lot of debt that will be difficult to pay off. In contrast, those who attend community college and find that they cannot keep up with the coursework because of a family illness or job loss, or who determine that they are not suited to field of study they were pursuing, will probably have no debt, or very little debt, to pay off. Those who did borrow to attend community college will in most cases have only federal student loans, which give borrowers many more options for managing their debt and staying out of default.

Debt for worthless degrees – when completion doesn't pay

While college completion, in general, leaves students better off, a worthless or grossly overpriced credential can be worse than no credential at all, especially if the graduate borrowed to pay for it. We analyzed recently released data and found that students who complete a degree or certificate at a career college are at much greater risk of defaulting than students who graduate from other types of schools. Among students who started in 2003-04 and completed an associate's degree or certificate by 2006, those who attended career colleges were *four times* more likely to be in default in 2009 than those who attended public or nonprofit colleges (12% vs. 3%, respectively).⁵¹ In fact, *completers* at career colleges were much more likely to be in default than students who *dropped out* of public and nonprofit colleges.

The associate's degree and certificate completers from career colleges were also almost *twice* as likely to be unemployed. Forty-one percent of students completing associate's degrees or certificates at career colleges by 2006 experienced three months or more of unemployment since their graduation, compared to 22 percent of students graduating from public and nonprofit colleges.⁵²

At previous hearings, this committee heard testimony that may help to explain why so many career college graduates experience unemployment and default. Last June, Yasmine Issa, a single mother, testified that she completed a career college program that purported to prepare her for work as a sonographer, only to find out \$32,000 later – including \$15,000 in loans – that the

⁴⁹ Calculations by TICAS on data from U.S. Department of Education, National Center for Education Statistics (NCES), 2003-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:04/09).

<http://nces.ed.gov/surveys/bps/>.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

program did not actually qualify her to sit for the licensing exam or work in the field. The school's recruiters went out of their way to tell her that the *school* was accredited, but what they did not tell her was that its sonography *program* was unaccredited and effectively worthless. She found out too late that the local community college offered an accredited sonography program for about half the cost.

It is unlikely that any student would know that an accredited school could offer an unaccredited program. As David Hawkins of the National Association for College Admission Counseling (NACAC) testified before this Committee last August, "the information asymmetry between the employees in charge of recruiting and prospective students is immense. In an unregulated environment, the potential for misrepresentation and outright fraud is a clear and present threat, which can result in harm to students and, in the case of federal aid and loans, to the taxpayer."⁵³

For example, an article in last June's issue of *Good Housekeeping* magazine offered a thoughtful but daunting list of 11 different kinds of research students should do if they are considering a career college, from checking with local public colleges to see if they offer similar programs at lower cost, to interviewing prospective employers, to figuring out the name of the school's parent company and, if it is publicly held, reading its most recent 10-K filing with the SEC.⁵⁴ The ability to interpret corporate SEC filings and detailed knowledge of the different types of accreditation should not be required to avoid getting ripped off by a career college.

Other questionable practices by career colleges can lead to worthless degrees. *The Chronicle of Higher Education* recently reported that former and current career college employees say the schools pressure them to falsify attendance records, raise grades and manipulate job-placement numbers.⁵⁵ According to *The Chronicle*, "more than a dozen current and former professors from six of the seven largest publicly traded education companies say they were leaned on to dumb down courses, offer lengthy extensions and change failing grades." The article also confirmed that many career colleges tie teacher pay to the number of students who complete their classes, creating a strong financial incentive for teachers to pass students regardless of a student's performance. Faculty members reported tremendous pressure to keep students enrolled and keep their grades high enough so that they continue qualifying for federal student aid, the primary source of revenue for most career colleges. In fact, former faculty at ITT Technical Institute reported being fired after reporting altered grades or refusing to change students' grades.

Costs and risks for taxpayers

Because the career college industry relies on federally funded grants and taxpayer-backed loans for the bulk of its revenue, taxpayers, as well as students, have a lot at stake in the quality and cost of career college education. While career colleges have a fiduciary responsibility to act in

⁵³ Testimony of David Hawkins, Director of Public Policy and Research, National Association for College Admission Counseling, before the Senate Health, Education, Labor and Pensions Committee, Hearing on Marketing and Recruitment in For-Profit Education. August 4, 2010. <http://help.senate.gov/imo/media/doc/Hawkins1.pdf>.

⁵⁴ Yeoman, Barry. "School of Hard Knocks." *Good Housekeeping*. June 2010. <http://www.barryyeoman.com/articles/hardknocks.html>

⁵⁵ Field, Kelly. "Faculty at For-Profits Allege Constant Pressure to Keep Students Enrolled." *The Chronicle of Higher Education*. May 8, 2011. <http://chronicle.com/article/Pawns-in-the-For-Profit/127424/>.

the best interest of their shareholders and generate profits, Congress has a fiduciary responsibility to act in the best interest of taxpayers.

This committee's June 2010 report, *Emerging Risk*, outlined just how heavily taxpayers are subsidizing the career college industry.⁵⁶ While career colleges may get up to 90 percent of their revenue from federal student aid from the Department of Education (Title IV grants and loans), that extraordinarily high percentage currently excludes some federal student loans, and it does not include other government revenue sources, such as G.I. Bill benefits or federal job training funds. Here are just a few examples of how much taxpayers are spending on career colleges.

- One in four federal Pell Grant dollars (\$7.6 billion) went to students attending career colleges in 2009-10, almost double the share a decade earlier.⁵⁷ In the coming year, career colleges are expected to receive an estimated \$10.2 billion in Pell Grant dollars.⁵⁸
- One in four federal loan dollars (\$25.0 billion) went to students at career colleges in 2009-10, more than double the share in 1999-00.⁵⁹ In the coming year, career colleges are expected to account for an estimated \$33 billion in federal student loans.⁶⁰
- In the first year of the Post-9/11 G.I. Bill, 36 percent of tuition payments (\$640 million) went to career colleges.⁶¹ Current and former recruiters report intense pressure to enroll veterans, whose federal aid dollars from the G.I. Bill do not count toward career colleges' 90 percent cap on revenue from the federal government. One former military admissions adviser said, "[W]e knew that most of them would drop out after the first session...Instead of helping people, too often I felt like we were almost tricking them."⁶²
- About 40 percent of the \$580 million in tuition assistance for active-duty troops went to online career colleges in fiscal year 2010.⁶³ Online career colleges that market heavily to members of the military typically price their course credits at the maximum amount covered by G.I. Bill benefits, \$250, which can be five times more than the cost of community college credits offered on military bases.⁶⁴

⁵⁶ U.S. Senate Health, Education, Labor and Pensions Committee. *Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education*. U.S. Senate. June 24, 2010. <http://harkin.senate.gov/documents/pdf/4c23515814dca.pdf>.

⁵⁷ Calculations by TICAS on data from U.S. Department of Education, Office of Postsecondary Education (OPE). "Pell End of Year Report, 2009-10" and "Pell End of Year Report, 1999-00." <http://www2.ed.gov/finaid/prof/resources/data/pell-data.html>, accessed May 19, 2011.

⁵⁸ Calculations by TICAS on data from U.S. Department of Education. "Fiscal Year 2012 Budget Request: Student Financial Assistance." <http://www2.ed.gov/about/overview/budget/budget12/justifications/p-sfa.pdf>.

⁵⁹ Calculations by TICAS on data from U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports. <http://federalstudentaid.ed.gov/datacenter/programmatic.html>, accessed May 19, 2011.

⁶⁰ Calculations by TICAS on data from the U.S. Department of Education. "Fiscal Year 2012 Budget Request: Student Loans Overview." <http://www2.ed.gov/about/overview/budget/budget12/justifications/s-loansoverview.pdf>.

⁶¹ Lipton, Eric. "Profits and Scrutiny for Colleges Courting Veterans." *The New York Times*. December 8, 2010. <http://www.nytimes.com/2010/12/09/education/09colleges.html?ref=forprofitschools>.

⁶² Ibid.

⁶³ Reed, Charlie. "DOD to tighten scrutiny of for-profit, online colleges." *Stars and Stripes*. September 24, 2010. <http://www.stripes.com/news/dod-to-tighten-scrutiny-of-for-profit-online-colleges-1.119391>.

⁶⁴ Golden, Dan. "Marine Can't Recall His Lessons at For-Profit College." *Bloomberg*. December 15, 2009. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a18HttoCG.ps>.

- In addition, some state grants can be used to attend career colleges. For example, in California, career college students received \$94 million in state Cal Grants in 2009-10, much more than the \$78 million awarded to community college students.⁶⁵ By contrast, the state's community colleges enroll eight times as many students as career colleges in the state.⁶⁶

The career college industry readily admits that their programs cost students much more than similar programs elsewhere. The best available estimate for the average, undiscounted cost of tuition and fees for career colleges in 2010-11 is nearly \$14,000, which is almost twice the average undiscounted cost for in-state students at public 4-year colleges, and more than five times the cost at public 2-year colleges.⁶⁷

Even after taking substantial state subsidies for public colleges into account, taxpayers and students combined can still end up paying less for career education programs at public colleges than at career colleges. This is what the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) found last year, when it compared five career education programs offered by both public and career colleges in the state.⁶⁸

- Three out of the five programs studied cost thousands of dollars less at public colleges than at career colleges after combining the student and state contributions. These programs were \$2,250 to nearly \$5,100 cheaper at public colleges. The two programs that cost less at career colleges were cheaper by much smaller amounts: \$46 and \$837.
- One career college program – massage therapy – had a per-student cost more than double the public college program's cost, along with fewer completions and a lower pass rate on the licensure exam.
- The public programs also had much higher rates of accreditation and much higher pass rates on licensure and certification exams. For example, 95 percent of the public phlebotomy programs were accredited, compared to 26 percent of the career college programs.

Déjà vu all over again

Sadly, this is not the first time that these kinds of problems have emerged in the career college sector. Following the creation of the G.I. Bill in 1944, thousands of career colleges sprung up virtually overnight to enroll veterans.⁶⁹ In response to well-founded concerns about waste, fraud and abuse, Congress established an important market mechanism for veteran education

⁶⁵ Morain, Dan. "Cut waste? Start with for-profit colleges." *The Sacramento Bee*. February 17, 2011.

<http://www.sacbee.com/2011/02/17/3409537/cut-waste-start-with-for-profit.html#storylink=misearch>.

⁶⁶ Calculations by TICAS on data from U.S. Department of Education, NCES, IPEDS. <http://nces.ed.gov/ipeds>.

⁶⁷ The College Board. *Trends in College Pricing 2010*.

[http://trends.collegeboard.org/college_pricing/report_findings/indicator/Tuition and Fee and Room and Board Charges 2010 11](http://trends.collegeboard.org/college_pricing/report_findings/indicator/Tuition_and_Fee_and_Room_and_Board_Charges_2010_11).

⁶⁸ Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), *Public Career Education Programs Differ From Private Programs on Their Admission Requirements, Costs, Financial Aid Availability, and Student Outcomes*. January 2010. <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1018rpt.pdf>.

⁶⁹ Altschuler, Glenn C. and Blumin, Stuart M. *The G.I. Bill: A New Deal for Veterans*. Oxford University Press. 2009.

programs. It capped the percentage of a program's students that could receive veteran benefits at 85 percent. This "85-15 Rule" is intended to ensure that at least 15 percent of a program's students are willing to pay the sticker price without the federal subsidy.⁷⁰

In 1972, amendments to the Higher Education Act allowed career colleges to participate in the federal Title IV student financial assistance programs for the first time. Problems arose almost immediately. Throughout the next two decades, there were Congressional hearings, investigations and legislative attempts to uncover and thwart deceptive and fraudulent practices in the career college sector. The most notable investigation came in 1990, when the Senate Permanent Subcommittee on Investigations, led by Senator Sam Nunn, documented a wide range of pervasive problems plaguing virtually every part of career college administration and oversight.⁷¹

In response, Congress passed a series of reforms in 1992 with strong bipartisan support. These included establishing an 85-15 rule for Title IV financial aid, modeled after the G.I. Bill provision but focused on revenues rather than students. It required career colleges to get at least 15 percent of their revenues from sources other than Title IV programs. A "50 percent rule" made schools ineligible for Title IV funds if more than half their courses were provided through correspondence. The 1992 reforms also banned incentive compensation for college recruiters and personnel. The results were clear. In less than 10 years, career college default rates fell from 29 percent in 1991 to nine percent in 2000.⁷²

However, it did not take long for the newly strengthened rules to get weakened under intense lobbying from the career college industry. In 1998, Congress reduced the percentage of revenue that schools had to obtain from non-Title IV sources from 15 percent to 10 percent (changing the 85-15 rule to 90-10). This was just one year after a GAO report concluded that career colleges that relied more heavily on Title IV funds tended to have poorer student outcomes: "Our analysis showed that, on average, the higher a school's reliance on Title IV, the lower its students' completion and placement rates, and the higher its students' default rates."⁷³ The rules continued to be watered down through the 2000s, including:⁷⁴

- 2002—The Department of Education added "safe harbors" to the ban on incentive compensation which, in direct contradiction to the statute, allowed forms of incentive

⁷⁰ Decision by the U.S. Supreme Court: 435 U.S. 213, 98 S.Ct. 1024, 55 L.Ed.2d 225, Max CLELAND, Administrator of the Veterans Administration, et al. v. NATIONAL COLLEGE OF BUSINESS., No. 77-716. March 20, 1978.

⁷¹ The 1990 hearings culminated in Senate Report 102-58, *Abuses in Federal Student Aid Programs*, Report Made by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, United States Senate, May 17, 1991.

⁷² Calculations by TICAS on U.S. Department of Education data on student loan defaults, for federal fiscal years 1991 and 2000.

⁷³ GAO. *Proprietary Schools: Poorer Student Outcomes at Schools That Rely More on Federal Student Aid*, GAO/HEHS-97-103 Proprietary Schools and Student Aid. June 1997.

⁷⁴ Congressional Research Service Report RL-33909. *Institutional Eligibility for Participation in Title IV Student Aid Programs Under the Higher Education Act: Background and Reauthorization Issues*, by Rebecca R. Skinner.

compensation. These loopholes directly contributed to the growth of high-pressure recruiting tactics at some career colleges.⁷⁵

- 2005—The rule limiting “correspondence” courses to 50 percent of a college’s total enrollment was gutted by eliminating the requirement that telecommunications (i.e., online) courses be included in the count. Doing so allowed short-term, online programs to be eligible for federal aid for the first time. This opened the door to 100 percent online colleges, enabling colleges to double in size virtually overnight.
- 2008—The Higher Education Opportunity Act (HEOA) substantially weakened the already weak 90-10 rule. It allowed career schools to immediately count institutional loans towards their 10 percent of non-federal revenues, rather than counting them as they are repaid; allowed schools to count some Title IV aid towards the 10 percent, rather than the 90 percent, side of the 90-10 calculation; and eased penalties for career colleges that fail to comply with the 90-10 rule.

Unfortunately and predictably, weakened regulation and reduced oversight, combined with a large potential revenue stream of federal dollars, have led once again to an environment where the incentives for career colleges to game the system appear to exceed the risks. At the same time, the risks to students and taxpayers are much larger in scale and cost than ever before.

The last time Congress cracked down on abuses at career colleges, the sector was a shadow of the size it is today. In 1991 – the point at which the Permanent Subcommittee on Investigations found career colleges to be “leaving hundreds of thousands of students with little or no training, no jobs, and significant debts that they cannot possibly repay” – there were fewer students enrolled in the entire career college sector than there are enrolled today in just the University of Phoenix. In 1991, the University of Phoenix enrolled just over 7,000 students.⁷⁶ Today, it enrolls more than 400,000.⁷⁷

The fact that career colleges are growing quickly is not inherently problematic, but the high stakes for both students and taxpayers suggest that the sector should be actively and carefully monitored.

The Obama Administration has taken some important steps in this direction. In 2009, the U.S. Department of Education convened a panel of negotiators to develop stronger rules for ensuring the integrity of the federal financial aid programs. These rules apply to all types of colleges, but the problems they address are most frequently seen in career colleges, where the financial incentives for owners and investors to profit from federal student aid can run counter to the best interests of students and taxpayers.

⁷⁵ Testimony of David Hawkins, Director of Public Policy and Research, National Association for College Admission Counseling, before the Senate Health, Education, Labor and Pensions Committee, Hearing on Marketing and Recruitment in For-Profit Education. August 4, 2010. <http://help.senate.gov/imo/media/doc/Hawkins1.pdf>.

⁷⁶ Calculations by TICAS on data from U.S. Department of Education, NCES, IPEDS, <http://nces.ed.gov/ipeds>.

⁷⁷ Apollo Group Q2 2011 earnings call transcript. March 29, 2011. <http://seekingalpha.com/article/260792-apollo-group-s-ceo-discusses-f2q11-results-earnings-call-transcript>.

Next month, on July 1, 2011, the first of these regulations will go into effect. For example, new incentive compensation rules eliminate the “safe harbors” created in 2002, bringing the regulation back in line with the federal law banning payments to college employees and contractors based on how many students they enroll or how much federal aid they bring in. Under the new rules on misrepresentation, schools are prohibited from misleading students about critical aspects of their programs, such as cost, subject matter, and graduates’ ability to get jobs in their field. The new Ability-to-Benefit (ATB) rule removes harmful conflicts of interest from the administration of screening tests to students who lack a high school diploma or GED, reducing the odds that such students will be fraudulently classified as eligible for federal grants and loans. The career college trade association has filed a lawsuit against the Department of Education seeking to block several of these common-sense rules, including the provisions on misrepresentation.⁷⁸

Last year, Congress wisely gave the new Consumer Financial Reform Bureau authority over private student loans, including supervisory and investigatory authority over private student lending by career colleges and other nonbank lenders. Thanks to an amendment by Senators Sherrod Brown, Bennet, Franken and Mikulski, the Bureau will include a Private Education Loan Ombudsman, which for the first time will give private loan borrowers a place to turn for help and give policy makers a clear view of what these consumers are experiencing.

Recently, 11 state attorneys general from both parties launched a joint investigation of the career college industry’s recruiting, financing and other practices, and the Justice Department and at least two state attorneys general joined a whistleblower lawsuit against one of the largest publicly traded career college corporations.⁷⁹

Last week, the Administration took a modest step toward preventing federal taxpayer dollars from being wasted on those career education programs that leave students with little but insurmountable debt. The final gainful employment rule applies to all career education programs, whether offered by a public, non-profit or for-profit college. By defining gainful employment, the Department will be able to enforce the long-standing federal law requiring all post-secondary career education programs that receive federal financial aid to “prepare students for gainful employment in a recognized occupation.”

The final rule, by including private student loans in its debt measures, may help to discourage the types of subprime private student lending discussed earlier. And because the final rule is based in part on whether a program’s former students are repaying their loans, it may also provide a disincentive for schools to simply delay defaults—through deferments and forbearances—until after the period when schools are held accountable for them.

⁷⁸ *Career College Assn. d/b/a Assn. of Private Sector Colleges and Universities v. Duncan and U.S. Dept. of Ed.*, (Filed D.C. Cir., 11 Jan. 2011).

<http://www.career.org/iMISPublic/AM/CM/ContentDisplay.cfm?ContentFileID=12948&MicrositeID=0&FusePreview=Yes>.

⁷⁹ Wallack, Todd. “Mass. investigating top for-profit college: AG demands University of Phoenix data on recruiting, finances.” *The Boston Globe*, May 17, 2011.

http://articles.boston.com/2011-05-17/business/29552871_1_college-access-success-college-students-schools.

Lewin, Tamar. “Questions follow leader of for-profit colleges.” *The New York Times*. May 26, 2011.

http://www.nytimes.com/2011/05/27/education/27edmc.html?_r=1.

Unfortunately, the final rule does not provide strong, immediate protections for students and taxpayers and will allow many programs that over-charge and under-deliver to continue to receive federal student aid. A broad coalition of student, civil rights, consumer, higher education and college access organizations submitted a series of recommendations to strengthen the modest draft rule published last July, none of which were incorporated.⁸⁰ Programs with debt levels well beyond what experts recommend, and where very few former students are repaying their loans, will continue to receive millions of taxpayer dollars. While the final rule is a step in the right direction for students, including veterans, and taxpayers, it is substantially weaker than the draft rule and it will take longer to protect students and taxpayers from the worst of the worst programs.

More needs to be done—by the Administration, Congress, states, schools and others. For example, the Department of Education already has authority to address some of the troubling practices uncovered by this committee’s investigation and oversight hearings, and soon the Consumer Financial Protection Bureau will also. Where the Administration does not believe it has adequate authority, it should request it from Congress. The Department is initiating a new negotiated rulemaking process to address issues related to federal student loans, which gives the Administration an important opportunity to tighten some regulations and provide needed relief to students, veterans and taxpayers who have been harmed by school practices. Congress also should do more to hold schools accountable for taxpayer funds and to more closely align the incentives for schools with the interests of students and taxpayers. Taxpayers should not be subsidizing worthless or overpriced programs, and students—and our economy—should not be saddled with unmanageable debt by unscrupulous schools.

Thank you for holding today’s hearing and for the opportunity to testify today. I look forward to answering your questions.

⁸⁰ “*Coalition Letter to the Honorable Arne Duncan, Secretary of Education.*” Protect Students and Taxpayers. August 12, 2010. <http://www.protectstudentsandtaxpayers.org/wp-content/uploads/2011/06/Coalition-ltr-on-GE-NPRM-September-9.pdf>.