

**Testimony of Arnold Mitchem
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Before the Senate Committee on Health, Education, Labor and Pensions**

***The Federal Investment in For-Profit Education:
Are Students Succeeding?
September 30, 2010***

Chairman Harkin, Ranking Member Enzi and Members of the Health, Education, Labor and Pensions Committee, I deeply appreciate the opportunity to testify before you today. While I believe that the question asked in the title of this hearing is an extremely critical one with respect to the federal investment in student aid, in my view, it is a question that must be parsed and expanded. If the Committee is simply questioning whether the federal government is getting an adequate return on aid dollars used by students to attend for-profit schools, I would probably not be the best witness to have been invited.

However, by asking the question of whether students are succeeding, the Committee, in fact, has raised some deeper, related issues. The most central one – and the one I believe I am most qualified to speak on is this: *Do the current laws and regulations governing Federal Student Assistance, particularly student loans, sufficiently protect low-income students vis-à-vis for-profit schools?* This leads to a more basic question that lies at the heart of this congressional inquiry: *Are low-income students adequately protected from assuming inappropriate loan debt to attend for-profit schools?*

And my answer to these two questions is a resounding **NO**.

I began my career in higher education over forty years ago when I was appointed the first director of the Educational Opportunity Program for low-income and minority students at Marquette University. My experience guiding underrepresented students through college was a key motivator during my years at the university. Currently, the Educational Opportunity Program and thousands of other TRIO programs continue to steer low-income, first-generation students towards the most appropriate means of pursuing and financing their postsecondary educations. Yet, I appear before the Committee today on behalf of the millions of other low-income students who have not had the benefit of receiving objective information about colleges. It is these students that we must seek to protect not only from unscrupulous and abusive practices within the for-profit sector, but also from the inequities inherent in the relationship between low-income students and for-profit institutions.

As you may know, the organization that I direct, the Council for Opportunity in Education (or “COE”), represents teachers, counselors and administrators who work with low-income and first-generation students. Before COE issued its statement on for-profits and gainful employment, I consulted with many of these individuals, particularly those working in TRIO’s Educational Opportunity Centers, Veterans Upward Bound and

Talent Search programs, to gain insight into their perspectives on for-profit institutions. In particular, I wanted to find out from them:

- (1) Were they often able to recommend a for-profit program as the best fit for their students?
- (2) If yes, when was there a particularly good fit? If no, why do they seldom recommend for-profit programs?
- (3) How often did they encounter individuals whom they felt had previously been treated inappropriately by for-profit institutions?

Almost without exception, each of the answers I received indicated that it was rare that they found for-profit programs to be the best fit for the students they counseled. Two reasons emerged. First, almost always, they could identify less expensive, publicly supported alternatives in the same area that would not require the student to assume as high a loan burden. Second, in very many instances, TRIO counselors found that many for-profit admissions counselors were not fully forthcoming and did not distinguish their programs from those offered at other public and independent colleges.

Also, virtually all of these TRIO counselors could identify individuals who had been, in their view, harmed by enrolling in a for-profit program. COE is submitting a number of such examples along with my written testimony.

Many TRIO staff pointed to the marketing techniques of the for-profit institutions as the root cause of this problem. As a result of current federal policy, the playing field for low-income students simply is not level. Unwittingly, we have created an environment in which the for-profit institutions have very good reason (and an exceptional level of resources) to heavily recruit low-income students while many publically supported and independent colleges have neither the financial incentives nor the resources to engage in the same state-of-the art, well-targeted, high-pressure marketing. Now the GAO, and TRIO staff, can point to a number of instances that I would say go beyond “state of the art, well-targeted marketing.” But, I would urge this Committee to recognize that even in the absence of unscrupulous or simply greedy behaviors on the part of institutions or individuals, currently there simply are not sufficient safeguards in place to protect low-income students in their interactions with for-profit institutions.

These institutions hold up the promise of a better life – in fact, the promise of the American Dream – to individuals of modest means. In the face of such glossy advertisements and tenacious recruiting tactics, it is, in my view, unrealistic to assume that a majority of first-generation and low-income students – who are tackling higher education on their own – will be able to step back, assemble a team of wise and experienced advisors, and ultimately make the best decisions.

A concern repeatedly raised by TRIO counselors was the difficulties many low-income individuals had distinguishing between the value of a particular program and the value of “college.” Families where parents are college graduates might find this hard to understand. But many low-income individuals and families have difficulty distinguishing

between a for-profit education and a traditional college experience when both can put “college” in their names and both are “endorsed” by the federal government – which provides financing to facilitate their attendance.

A story of a former serviceman served by one of TRIO’s Veterans Upward Bound programs comes to mind. This individual completed 54 credits of a 60 credit associate’s degree program at a for-profit “college” before being deployed to Iraq. When he returned home and attempted to enroll in a university, he found that none of those credits were transferable, though he had been assured that they would transfer. Often TRIO-eligible students begin their postsecondary careers at for-profit institutions, assuming that it is a building block in their long-term educational plans. But, too often, their enrollment at these institutions hinders those plans. Debt to the for-profit institution, which prevents transfer of credit; confusion about transferability; and default on student loans after enrollment at a high-cost for-profit institution can each serve to create a dead-end for a student’s aspirations.

Now, when advocates like me raise concerns about for-profit institutions, a distinct line of counterarguments emerge. The first and most pronounced is that for-profits are the only institutions providing access to postsecondary education for many low-income youth and adults. This argument is often raised by individuals from minority communities, like me, who are deeply sensitive to issues of discrimination and access. My problem with this argument is that I believe it is based on inaccurate information. In fact, many public and independent colleges are offering comparable programs to low-income students at a much lower cost than what is being provided at for-profit institutions. Low-income students are simply unaware of the entire range of educational opportunities available to them. At this juncture, I would like to take a brief moment to commend this Committee, which has worked diligently to address this issue through the reauthorization of Talent Search, Educational Opportunity Centers and other postsecondary information programs governed by the Higher Education Act. Your emphasis on ensuring financial literacy in these programs is particularly timely. Similarly, efforts made to provide reasonable, income-based repayment plans for student borrowers are also key.

I think all of us in this room agree that access is critical, but access to what? Mountains of debt? Personal and career success must be the answer to the access question. What we are witnessing at COE is that many low-income and first-generation students are not achieving success after participating in for-profit programs. Instead, we are seeing students who emerge with considerable loan burdens and without the ability to obtain meaningful employment or to transfer the credits earned at for-profit institutions to accredited, publically supported or independent institutions.

Similarly, many who oppose greater controls on for-profit institutions argue simply that freedom in the marketplace is a core value of American institutions, and that to interfere with the right of for-profit institutions to make a profit is inappropriate. To go that route, however, would lead us down a road that too closely parallels the one that played a major role in the recent recession. As we saw in the mortgage and banking industries, lending directed at low-income borrowers that is not closely monitored will, almost without

exception, lead to abuse. My greatest fear is that the presence of such abuses in the educational arena will – in the foreseeable future – undermine public support for the entire range of federal financial assistance programs.

I began this testimony by noting that I had been involved in issues and programs designed to increase college opportunity for low-income youth and adults for over forty years. Throughout these four decades, I have tried to govern my interactions with students by a simple maxim: work so that other people's children have the same range of options that my own children, and now grandchildren, have available to them. Like most African-Americans and Hispanic-Americans, I am extremely wary of a two-tiered system of education whereby one set of institutions is available to individuals with information, guidance and means, and another set is provided for those with less information, little guidance and lower means.

If each of the institutions being examined by this Committee were targeting students from a range of economic backgrounds, the necessity of your work would be lessened. But my experience is that they are not. Many of these institutions purposely target low-income students. I believe that there is a moral imperative and a responsibility to ensure that all students, regardless of background, race or income level, are fairly represented in higher education. These students can only look to you for protection, and I am deeply honored, Mr. Chairman, that you have asked the Council for Opportunity in Education to join with you in this important work.