

Comments on the Education Department's Strategic Plan
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Thank you for the opportunity to comment on the Strategic Plan.

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 nation's major veterans organizations, and our Board of Advisors consists of representatives from the major veterans organizations.

We see one major gap in the Strategic Plan: It fails to outline the Education Department's prime responsibility to serve as a gatekeeper to protect American students from subpar and predatory colleges.

For the past two years, veterans advocates and Senate staff have met multiple times with the Departments of Defense and Veterans Affairs regarding the problem of veterans being targeted by for-profit colleges that are characterized by pain-based recruiting, dismal student outcomes, and diminished spending on actual education. The President described the problem when he announced his Executive Order 13607 to address predatory for-profit college harassment of veterans: <http://www.whitehouse.gov/the-press-office/2012/04/27/remarks-president-and-first-lady-fort-stewart-georgia>

But, for two years running, VA and DOD have told us they are not equipped to make judgment calls about educational quality. DoD and VA tell us that only the Education Department knows where to draw the line.

Therefore, the Education Department's Strategic Plan needs to include responsibility for weeding out subpar, predatory colleges. Attached please find powerpoint slides that summarize, in very accessible way, the problem of subpar, predatory for-profit higher education. Also attached please find pages from recruiters' training manuals at for-profit colleges that document their "pain-based" recruiting methods.

The draft strategic plan acknowledges the role of financial aid and consumer information in improving college access and success, but completely ignores the Department's own role in holding colleges accountable for the quality of their information and of their programs. It is not simply an accreditor responsibility; it is part of the Education Department's charge, implemented primarily through the Federal Student Aid division.

The Department of Education's strategic plan should make it clear that the Department will monitor higher education institutions to ensure that consumers

and regulators are provided with accurate and appropriate information, that standards designed to protect consumers (such as default rates and 90-10) are not gamed, and that the prohibition on misrepresentation is vigorously enforced.

Servicemembers and veterans using the GI Bill, as well as Defense Department Tuition Assistance and MyCAA spousal education aid, are counting on the Education Department 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 the Education Department to draw the line to weed out subpar and predatory colleges that leave the graduates without a promising future.

For example, as you may be aware, today 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. This is because Title IV dollars currently flow to programs that lack programmatic accreditation (different from institutional accreditation) or to programs whose graduates are otherwise de facto ineligible for licensing in fields that require a license.

Three examples:

- (1) 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.wsoctv.com/news/news/whistleblower-9-students-say-they-were-misled-by-1/nGSy3/>
- (2) During the Senate Committee's Investigation, student Eric Schmitt 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>.
- (3) 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>.

How can we allow Title IV dollars (and therefore GI Bill and DoD dollars, since the VA and DoD follows your rules on where to send student aid) to be spent on programs where we know from the outset the graduates are not eligible to sit for a licensing exam?

Surely there is a way for the Education Department to weed out programs that lack programmatic accreditation. 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.

Attached please find powerpoint slides from the U.S. Senate investigation into for-profit colleges that explain very simply the problem. Also attached are pages from for-profit college recruiter training manuals. These are examples of the “pain-based” recruiting that many for-profit colleges engage in.

Here is a summary of key information:

- Executive Order 13607:
<http://www.veteranseducationsuccess.org/resources/Executive-Order-13607.pdf>
- President’s speech announcing Executive Order 13607. This speech outlines the problems very clearly: <http://www.whitehouse.gov/the-press-office/2012/04/27/remarks-president-and-first-lady-fort-stewart-georgia>
- 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:
<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-petraeus-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>

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?

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 the government would not allow GI Bill funds to be spent at colleges that will leave him worse off than he started.

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.

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 predatory 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.

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.

As you may 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>.

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

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.

Conclusion

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 the Education Department to draw that line, to weed out subpar programs. Only 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 the Education Department can ensure that limited taxpayer dollars are invested in worthwhile programs.

Why not institute a rule to require just as strong college disclosures as the Executive Order 13607 requires for the GI Bill (see <http://www.gpo.gov/fdsys/pkg/FR-2012-05-02/pdf/2012-10715.pdf>)? Department of Education 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.

Similarly, 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 the Education Department 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.

Finally, the Education Department must be aware 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!

The Departments of Defense and Veterans Affairs repeatedly told veterans leaders 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 the Education Department to step up and draw that line.

Thank you for your consideration.