

**VES Oral Statement:
GE and BD NegReg Agenda Setting
July 10, 2017**

My name is Walter Ochinko. I'm the research and policy director of Veterans Education Success—a small non-profit that advocates for the promise and integrity of the GI Bill.

- **I'd like to use my 5 minutes to explain why the 2014 Gainful Employment and the 2016 Borrower Defense regulations matter to veterans.**
- First, let's be clear that these regulations are necessary because of predatory schools like Corinthian and ITT Tech.
- The hallmark of predatory schools is the use of misleading advertising to recruit students.
- The 90/10 loophole incentivizes such bad actors to prey on veterans and servicemembers. Their hard-earned educational benefits allow predatory schools to enroll 9 individuals who depend on federal student aid for every veteran or servicemember.
 - As Holly Patraeus has said, the 90/10 loophole puts a target on the backs of veterans.
 - The 2012 Senate HELP investigation of for-profit schools documented the use of Title IV revenue for aggressive recruiting; use of psychological manipulation (pain points) to enroll students; reliance on lead generators to identify potential recruits, which results in incessant phone calls and emails; excessive expenditures on recruiting while short-shrifting instruction
- Veterans are particularly vulnerable to high pressure recruiting; they are frequently encouraged to enroll on the spot:
 - Over 60 percent are the first in their family to attend college
 - Many are married, have children, and work
 - The promise of immediate enrollment and quick degrees are compelling as are the false promises about cost, accreditation, job placement, and post-graduation earnings
- Since 2012, the FTC, CFPB, Justice and numerous state Attorneys General have concluded 17 settlements with for-profit schools. The basis for these settlements were findings of misleading and deceptive advertising and recruiting, including misrepresenting costs, quality, accreditation and the transferability of credits, job placement rates, and post-graduation salaries. ED documented widespread misrepresentation of job placement rates by Corinthian.
 - GE will help protect veterans by shutting down and requiring warnings for career education programs that leave students with too much debt relative to income. In fact, many such programs have already been eliminated because of GE.
- VES helps veterans who were deceived by for-profit schools. Their stories mirror the findings of federal and state settlements. The ban on mandatory arbitration in the BD regulation will allow the voices of these veterans to be heard and serve as a deterrent to predatory behavior.
 - One frequently voiced complaint is that schools originate federal student loans that veterans don't need, want, or authorize because they had the GI Bill.
 - For profit schools are incentivized to originate federal loans because GI Bill dollars are much slower to arrive, particularly, when a veteran enrolls on the spot and hasn't applied for the paperwork to start using his GI Bill benefits.
 - As you know, many for-profit schools are in precarious financial condition due to declining enrollment and the negative publicity generated by federal and state investigations and settlements.
 - In June 2014, Corinthian notified ED that it would have to declare bankruptcy if ED delayed aid disbursements by just 21 days.
 - In Sept. 2016, ITT Tech abruptly shut its doors after ED cut off financial aid to new students.
 - Corinthian had no letter of credit and ED was in the process of substantially increasing ITT's when it closed. As a result, taxpayers will bear all or most of the cost of closed-school discharges.

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- The financial responsibility requirements of BD will give schools skin in the game, act as a deterrent to predatory behavior, and help to protect taxpayers from the cost of forgiving federal loans when a school closes.
- While strong ED regulations that make it easier for borrowers to obtain the relief they are entitled to under existing federal law, loan forgiveness will not make veterans whole again. If they use some or all of their 36 months of entitlement at a predatory school that encouraged them to enroll with false promises, those GI Bill benefits are gone forever.
- **I'd like to conclude by asking you not to delay implementation of the current regulations as written.**