

US Senate Committee on Health, Education, Labor & Pensions
Higher Education Act Reauthorization
Statement for the Record from Veterans Education Success
February 23, 2018

Thank you for the opportunity to provide input on the Higher Education Act Reauthorization.

“These colleges are approved by the government; you think they must be good, but they're not. Schools taking our GI Bill and defrauding veterans? That has to be stopped. We need some help. I'm fighting for 6 years and then I have to figure out if a college is any good?”

- Disabled Navy Veteran Jaime Huebert

Bipartisan Sentiment Exists to Stop Waste, Fraud, and Abuse of Taxpayer Funds

Both Republicans and Democrats want to protect taxpayer funds and stop waste, fraud, and abuse, as do students and taxpayers. Taxpayers do not want to see their money wasted on failing colleges. Students put their trust in the U.S. Department of Education's stamp of approval on a college to mean the college delivers quality. For veterans, the risks are heightened since both the Department of Defense (DOD) and Department of Veterans Affairs (VA) rely on the Education Department's gatekeeping to ensure quality in higher education programs.

Most colleges offer students a quality education and greater opportunity to achieve the American Dream. Most colleges are good actors. But with the recent closure of schools such as ITT Tech and Corinthian Colleges, everyone is all too aware there are some “bad actor” colleges.

The problem is not widespread. It can be contained. An estimated 99 percent of student applications for borrower defense come from students at only a handful of colleges. Similarly, a small portion of colleges cause nearly 50% of all student loan defaults.

We ask you to please tackle this problem head-on and protect service members, veterans, and their family members seeking higher education.

The Impact on Servicemembers and Veterans

Military-connected students are especially at risk because they are targeted by bad actor colleges for their guaranteed GI Bill and Defense Department Tuition Assistance. Bad actor colleges train their recruiters to view these funds as “the military gravy train” and “easy money.” They enroll service members even if they are not ready or are being deployed to heavy fighting zones. Some bad actor colleges even have their recruiters wrongly pose as Pentagon advisors to recruit.¹ Billions of dollars of hard-earned GI Bill have been wasted at subpar schools under law enforcement action for fraud.²

¹ See Testimony of military recruiter and veteran Christopher Neiweem, U.S. Senate Appropriations Committee, Subcommittee on Defense Appropriations, “[Hearing on Voluntary Military Education Programs](#)” (June 12, 2013).

² See U.S. Senate Committee on Health, Education, Labor & Pensions: “[Is the New GI Bill Working? For-Profit Colleges Increasing Veteran Enrollment and Federal Funds](#)” (2014).

Thousands of veterans report to the Department of Veterans Affairs, state agencies, and to Veterans Education Success and other veterans organizations that bad actor colleges lie to veterans about every aspect of the college – the true tuition, the quality, the teachers, the classrooms, the lessons, the accreditation, the ability to transfer credits to nearby public colleges, the graduation rate, the job placement rate, their likelihood of certain jobs or salaries, the existence of career assistance, and even signing students up for high-interest private loans without their knowledge or failing to disclose the true terms of loans.

Some colleges even promise these students a career in fields that require a license – such as law, plumbing, electricity, and medical fields – but students find out after graduation their college is not recognized or properly accredited and graduates are not eligible to obtain the licenses required for the career.

- Army veteran Travis Craig served two tours in Afghanistan, returning in 2014 and enrolling at ITT Tech after believing its advertisements and enrollment promises: *“The course materials were outdated by 3 or 4 years. We didn’t have real instructors. The instructors who did show up just read out loud from the textbook and didn’t know what they were talking about. Why was I getting outdated material? Why were instructors not even competent in what they teach? How could I know more about the subject than my own instructor? This was MADNESS! What more can we do about this because at the end of the day the veterans are the ones taking the biggest hit! Lost GI Bill that we can't recoup, lost time away from family and friends and nothing to show for it! What about my time going to this school, sleepless nights studying for exams and finals, driving to school, driving home from school? As Veterans, the education system has to do more for us! They should give us our time back towards our GI Bill that was used. Maybe in the future they will look more into these schools so this type of thing never happens again!”*
- Marine Specialist Bryan Babcock: *“I specifically asked ITT Tech before signing up whether their degree was the same as any other public 4-year university and was told YES. I found out while applying at NYPD, LAPD, Seattle PD and 23 other police departments that NONE of them accepted ITT Tech credits. Once I found out that my time and money spent at ITT Tech was worthless, I tried to transfer my credits to a community college. I was told I have to start completely over as a freshman.”*
- Marine Corporal Anselm Caddell: *“When I attempted to transfer my units from Brown Mackie to Pasadena City College in California, I found out that none of my units transferred because they didn’t have the right level of accreditation. Not only did Brown Mackie lie about their accreditation level but they lied about (the) level of education they offer... I have a debt with nothing to show for it and am struggling to stay afloat.”*
- Air National Guard Corporal Chad Putnam: *“I was told that the Art Institute had a 93% job placement rating and since the school had campuses all over the U.S., that I would have access to a nationwide network of employers... It wasn't until near the end of my schooling that I began to realize that a lot of the training I was getting was outdated, in some instances by a few years, and that I had a long way to go until I was up to par with*

the industry standards. I also found out that... my program had a success rate of only 38%. I have student loans that I am going to be paying off for years and really I have nothing to show for it.”

- Marine Jonathan Ngowaki was signed up for a \$15,000 loan without his knowledge and against his explicit instruction that he wanted no loans. *“I went into the military so I wouldn’t have college debt, but now I have this debt and I have a family and it’s taken that money away from my family. It’s all a money game. It really bothers me.”*

“All they hear from these schools is, ‘This won’t cost you a thing,’” explained Robert L. Songer, a retired Marine colonel who was the lead education adviser at Camp Lejeune in North Carolina.³

These veterans served their country honorably and deserve better accountability for their hard-earned federal education benefits.

Loan Repayment Rates, Alone, Are Insufficient

The Chairman’s white paper proposes removing existing accountability measures and replacing them with a single measure of repayment of student loans. We understand there is merit to tracking student loan repayment, and encourage the Committee’s work on this.

At the same time, we would urge the Committee to widen its lens. Why would loans be the only thing colleges are held accountable for? Why would there be no accountability for the stewardship of taxpayer dollars in Pell Grants, and military-connected student aid? Why should bad actor colleges have unfettered access to this federal money? Why would defrauded service members, veterans, and their families not receive any protection whatsoever?

In addition, this single measure of accountability could inadvertently incentivize bad actor colleges to reduce their exposure to low loan repayment rates by avoiding students with loans and primarily recruiting and accepting DoD and VA students who represent guaranteed money with no loans. Data from the Department of Education shows that for-profit institutions increased their revenue from military-connected education benefits by almost 60% between the 2011-12 and 2013-14 academic years.⁴ These benefits are appealing to many bad actor colleges because the GI Bill represents a guaranteed \$22,000 per veteran per year.

More Accountability is Needed

Service members, veterans, and their family members who have been defrauded by a college are often **angry** to learn that the federal government knew that college had poor outcomes and was engaging in illegal activity. They often ask us: **Why did the federal government put its stamp of approval on a college with terrible outcomes and law enforcement concerns?**

³ See Eric Lipton, [“Profits and Scrutiny for Colleges Courting Veterans,”](#) *New York Times* (Dec. 8, 2010)

⁴ Veterans Education Success, [“Department of Education Data Shows Increased Targeting of Veterans and Servicemembers. Highlighting Urgency of Closing 90/10 Loophole”](#) (2017) at p. 1.

- If a college program is known to **consistently leave its students worse off** than it found them, with high debt but earning less than a high school graduate, why does the federal government continue to waste federal funds and students' lives there?
- If a college is **sued by the U.S. Justice Department** for defrauding the Education Department and stealing Title IV funds, why does that college continue to enjoy unfettered access to Title IV, GI Bill, and DOD education funds and students?
- If a college is sued by state Attorneys General for illegal recruiting and fraud of students, including illegally posing as Pentagon representatives and lying to students about their eligibility to work in licensed occupations, **why does the Education Department continue an unabated flow of taxpayer funds** to the school?

Recommendations for HEA Reauthorization

I. Stop or Slow Taxpayer Funds to Fraud

Institute a **law enforcement trigger** to either cut off federal funds entirely, or at least put the college on reimbursable status under Title IV, if it has lost or settled a law suit or been fined by a federal or state agency for defrauding students or the federal government.

II. Proper Use of Taxpayer Funds

Ensure **money is spent on education**: Taxpayers and students expect that federal student aid will be spent on education. Taxpayers would be angry to learn that some colleges spend very little taxpayer "student aid" on students, instead diverting up to one-third of federal student aid to profit set-asides, and up to an additional one-third on marketing and recruiting (in a business model explicitly called "churn" because they seek to churn through students, enrolling them and letting them drop out).⁵ Taxpayers would be shocked to learn their tax dollars go to CEO salaries 20 times higher than Harvard's President and for private jets and Ferrari cars.

In the health insurance industry, insurance companies are obligated under federal law to spend at least 80% of the money they take in from premiums on health care costs and quality improvement activities.⁶ There should be similar restrictions for higher education.

At a minimum, please ban the use of Title IV funds for marketing and recruiting, as recommended by many veterans and education organizations including the American Council on Education.

III. Protect Military-Connected Students and Taxpayers:

Thirty six leading veteran and military service organizations sent a [letter](#) to Chairman Alexander urging no weakening of various student protections, including Gainful Employment, 90/10, and Borrower Defense to Repayment.

⁵ See US Senate Committee on Health, Education, Labor & Pensions, "[For-Profit Higher Education: The Failure to Safeguard the Federal Investment & Ensure Student Success](#)" (2012).

⁶ See US Department of Health and Human Services, Rate Review, available at <https://www.healthcare.gov/health-care-law-protections/rate-review/>.

To ensure military-connected students and other nontraditional students can successfully accomplish post-secondary goals and transition smoothly into the workforce, and to guarantee taxpayer money is responsibly spent, we urge the Committee to strengthen student protections:

- Preserve the **Gainful Employment** rule – Protect taxpayers and students by codifying and strengthening the Gainful Employment regulation to hold career training programs accountable if they consistently produce students with excessively low earnings. (*See [Why Veterans Care About Gainful Employment](#)*.)

We agree with Senator Alexander when, as Secretary of Education, he raised a concern about “access to an institution that produces mostly dropouts, not graduates, or produces graduates that are not employable in the fields for which they have been trained.”⁷

- Preserve the **market viability test in 90/10**, reduce federal dependence to 85%, and include military benefits. A market viability test protects taxpayers from artificially propping up a failing college of such low quality that no employer or private-paying student is willing to pay for it. **DeVry University proved** that proprietary colleges can meet the market viability test and also close the loophole: In 2016, DeVry voluntarily reduced its reliance on federal funds to no more than 85%, including VA and DOD funds.⁸
- **Ensure proper oversight** of proprietary colleges: *The tax difference matters*: Non-profit and public colleges are legally obligated, under the tax code, to invest every dollar of revenue into their non-profit mission of education. By contrast, companies running proprietary colleges are required under Securities and Exchange laws and the tax code to focus, first, on delivering financial gains for their shareholders. This has led some companies to focus on delivering “quarterly enrollment growth” through “pain-based” emotional manipulation and deceptive and fraudulent recruiting tactics.⁹ In addition, non-profit and public colleges are governed by independent oversight, while proprietary colleges are not. Proprietary colleges’ desire for taxpayer funds has necessarily come with additional scrutiny.
- **Preserve Borrower Defense to Repayment** for deceived students and require the typical civil proceeding evidentiary standard of preponderance of the evidence. (*See [Why Veterans Care About Borrower Defense](#)*)

⁷ See *Reauthorization of the Higher Education Act of 1965, Part 1*, Senate Subcommittee on Education, Arts, and Humanities, Senate Labor and Human Resources Committee, 102nd Cong., 1st Sess., S. Hrg. 102-221, Part 1, April 11, 1991, 674, 678, available at <https://drive.google.com/file/d/0B7aqIo3eYEUteGhLN3ZGcXpVNUU/view?usp=sharing>.

⁸ See Danielle Douglas Gabriel, “[DeVry Voluntarily Dials Back Revenue from Federal Student Aid](#),” *Washington Post* (Sept. 20, 2016).

⁹ See U.S. Senate Committee on Health, Education, Labor & Pensions: [Recruiting Training Manuals from Top for-Profit Colleges](#) (2012). See also Chris Kirkham, “[With Goldman's Foray Into Higher Education, a Predatory Pursuit of Students and Revenues](#),” *Huffington Post* (Oct. 14, 2011). See generally U.S. Senate Committee on Health, Education, Labor & Pensions: “[For-Profit Higher Education: The Failure to Safeguard the Federal Investment & Ensure Student Success](#)” (2012).

- **Preserve the ban on incentive compensation** – Recruiters should not be compensated based on the number of students they recruit, because such a system incentivizes recruiters to deceive students. (See [Why Veterans Care about the Incentive Compensation Ban](#))
- **Strengthen state authorization** so that colleges are licensed and overseen by each state.

IV. Protect Military Connected Students from Unnecessary Loans

Many military-connected students allege loans were taken out in their names without their authorization. Given the generosity of the GI Bill, veterans have less need to take on debt; thus, the **high number of military-connected students reporting loans they never authorized is concerning**. Suggestions to fix this:

- **Changes to the loan origination process** could make an enormous difference:
 - **Rename the “Master Promissory Note” to “Student Loan Contract”** so students are aware that they are signing a loan document; Include a clear warning: “Only sign this form if you want loans. You must pay these loans back.”
 - Require schools to make the Master Promissory Note/Student Loan Contract an **annual process** rather than good for 10 years, at least for military-connected students who should not need loans.
 - Require schools to obtain **active consent** and original signatures for every loan, at least for military-connected students.
 - Require pre-loan **counseling** that includes include a borrower’s estimated debt-to-income ratio at graduation, what the ratio means in terms of repayment, and explanation of the importance of on-time graduation
 - Reform the financial aid award letter process so that the **full cost of attendance** (direct and indirect costs) is communicated and explained in consistent and clearly defined terminology.
- **Preserve subsidized loans** – While the entire financial aid process needs to be simplified, such simplification must not occur at the expense of students. Eliminating the opportunity for students to obtain subsidized loans could impact 6 million borrowers and their ability to successfully attain post-secondary educational goals.
- **Preserve Public Service Loan Forgiveness (PSLF)** – PSLF helps both active duty servicemembers and veteran service workers with their student loan debt.
 - A recent government [report](#) revealed more than 200,000 active duty servicemembers collectively owe more than \$2.9 billion in student loans.
 - PSLF also helps the Department of Veterans Affairs and veterans service organizations to attract and retain talent. With 40,000 positions unfilled in the VA, and the challenge VA has difficulty recruiting well-qualified

employees, eliminating PSLF impacts recruiting efforts and impacts service of veterans.

Please also **redefine** PSLF to explicitly include veterans service organizations and military service organizations that are granted non-profit status under 501(c)(19), 501(c)(23), and other 501(c) codes.

- Require loan servicers to make **income-based repayment** options known to students, including where to find the application, where to submit the application, and the protocol for annual recertification.
- **Data-sharing** between VA and Education Department should enable totally disabled veterans to automatically receive Total Permanent Disability Discharge on their loans, while data sharing between DOD and ED should automatically put loans of servicemembers who are being deployed on interest-free forbearance. Finally, data-sharing amongst the agencies would enable the federal government to track accurate student outcome measures for military-connected students.

V. Quality:

Taxpayers and students expect the Department of Education’s approval of a school for Title IV funds means quality.

Both Republicans and Democrats have called for evidence-based, data-driven allocation of federal funds. Data on college student outcomes is readily available and should be included in Title IV criteria to ensure quality and a return on investment for taxpayers and students.

We urge the Committee to implement **minimum quality** standards for receipt of Title IV funding with an emphasis on outcome metrics, including a **bipartisan** focus on **Return on Investment** (ROI): A college fails taxpayers and students if it consistently produces students who earn less than high school graduates.¹⁰ Consider requiring at least 50% of students at a 4-year college to earn more than a high school graduate within 8 years of entering the school; at least 40% of students at a 2-year college earn more than a high school graduate within 8 years of entering the school; and at least 25% of students at a certificate program earn more than a high school graduate within 8 years of entering the institution.

- For Apprenticeships and Career programs, require an ROI or evidence-based “**pay for performance**” by adopting the quality control measures used in Section 115 of the 2017 [*Forever GI Bill: Harry W. Colmery Veterans Educational Assistance Act*](#) (which **holds back half of tuition until the apprenticeship or career program successfully places the student in a job in the field of study**).
- **Loan repayment standards:** A college fails taxpayers and students if most of its students cannot pay at least \$1 of their debt within some years of leaving the school.

¹⁰ Stephanie Riegg Cellini, Brookings Institute, “[Gainfully employed? New evidence on the earnings, employment, and debt for for-profit certificate students](#)” (Feb. 9, 2018)

- **Satisfaction:** We recommend requiring at least a 50 percent student satisfaction rating measured by a third-party verified survey.

Also implement **minimum quality standards for accreditors**: Require **minimum quality standards for accreditors**, including quality assurance protocol on the front end with criteria to determine whether an institution and its individual programs are legitimate, and back-end gatekeeping that incorporates job placement and earnings metrics. Implement a more robust accreditor oversight process. Establish conflict-of-interest protocols for accreditors and the colleges they accredit.

Finally, Congress should ensure careful gatekeeping of new programs, including short-term training programs and currently ineligible companies, so as not to approve subpar education under the guise of “innovation.”

VI. Risk Sharing

We are grateful for the Committee’s attention to risk-sharing provisions and urge its strengthening. Colleges should be held accountable for some portion of their students’ loan default if they consistently produce defaults. Colleges should also own some of their students’ loan debt if their graduates consistently earn less than high school graduates. The Committee should implement a risk-sharing provision that holds all institutions accountable for measurable bad outcomes.

While risk-sharing is an indicator of quality, it is a lagging indicator and should not substitute for front-end gate-keeping, such as improved quality standards.

VII. Transparency:

Understanding the progress, successes, and hindrances facing all types of students is essential, and access to comprehensive and digestible data is the first step. We strongly support the bipartisan *College Transparency Act* introduced by Senators Hatch, Warren, Cassidy, and Whitehouse. We also call for more transparency at the Education Department in its enforcement actions.

Conclusion

We hope the Committee will be guided by the plea from Army veteran Travis Craig, who served two tours in Afghanistan to earn his GI Bill, only to be ripped off, last year, by a college:

What more can we do about this because at the end of the day the veterans are the ones taking the biggest hit! Lost GI Bill that we can't recoup, lost time away from family and friends and nothing to show for it! What about my time going to this school, sleepless nights studying for exams and finals, driving to school, driving home from school? As Veterans, the education system has to do more for us! They should give us our time back towards our GI Bill that was used. Maybe in the future they will look more into these schools so this type of thing never happens again!