



VETERANS EDUCATION SUCCESS

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Education Secretary Betsy DeVos' Rescission of Gainful Employment Fails Statutory Obligation to Stop Waste, Fraud, and Abuse and to Protect Taxpayer Dollars – and Knowingly Puts Veterans and Servicemembers at Risk

Education Department was well-aware that veterans and servicemembers are especially at risk of waste, fraud, and abuse by the worst-quality colleges.

WASHINGTON, DC -- As part of Education Secretary Betsy DeVos's ongoing rollback of policies that protect student veterans from predatory for-profit colleges, Secretary DeVos rescinded the Gainful Employment rule -- a rule that gives the lowest-performing career education colleges a three-year warning and then, if they don't improve, strips them of federal funding for consistently leaving students with worthless degrees and student loan debts they cannot repay.

Veterans Education Success submitted a [public comment](#) to the Education Department today outlining:

- The Department's statutory obligation to stop waste, fraud, and abuse, and to protect taxpayer funds;
- The reliance of the Departments of Defense and Veterans Affairs on the Education Department to serve as a gatekeeper in determining which college programs are worthy of federal investment;
- That the Education Department is well-aware that veterans and servicemembers are especially at risk as targets of fraud and abuse by the worst quality colleges because of the 90/10 loophole;
- That the Education Department is failing its statutory obligations in light of the fact that the Gainful Employment rule is proven to combat taxpayer waste on substandard programs.
- What veterans have to say about the worst quality programs – including quotes from veterans at programs that fail Gainful Employment metrics.
- That the Department's action fails the "arbitrary and capricious" standard and may well be motivated by conflicts of interest by Trump Administration officials.

Notably, VES' testimony includes **quotes from veterans' complaints about colleges with programs that the Education Department deemed to "Fail" Gainful Employment** – but which DeVos and the current leadership of the Department would seek to resurrect and gratify with federal funds, including:

- *“I was told I would be able to get a Medical Assistant job and have not been able to since most places require a Medical Assistant to be certified. This was not disclosed to me when I was pursuing my certificate as an MA. I now have a ton of unpaid student loans and debt incurred from attending Brown Mackie College and no job as a Medical Assistant.”* - JP, Wisconsin
- *“I graduated from the Associate of Science - Biomedical Technology program at the Brown Mackie College Tucson, AZ campus in November 2015. I'm a medically retired US Army Veteran. I feel I was set up to fail -none of my teachers was even Biomedical Technology qualified -we barely actually had hands on medical machines and didn't learn how to repair medical equipment.... Due to lack of training, I do not qualify for an entry level biomedical equipment technology job and have basically wasted almost \$40,000 of my Post 9/11 GI Bill.”* - LM, Arizona
- *“I enrolled in CTU online and used my GI Bill. I left with thousands of dollars in student loans, quarter hours that did not equal credit hours, and a degree that no one respects. I sure wish I went to a real school for my degree.”* - CS, Florida
- *“The education I received was enough to get me an entry level job at McDonald's.”* – LB, Colorado
- *“[After] repeated attempts to go through their job placement service, [I] never received a single return e-mail or phone call. With that being said, I never got that guaranteed placement that I was expecting. Now, 5 years after graduating... I have no more knowledge than I already had in my field, and no job with a mountain of new debt. I struggle every day to pay my basic bills with no career as they promised, and now I am supposed to pay student loans for an education I never received.”* – MG, Iowa
- *“My education ... failed to teach industry standard practices and workflow. I graduated among the best of the class and received one of the highest awards during my graduation, however when I shopped my portfolio around, there was little interest. It was among the best of the portfolios to have come from the school but it didn't meet industry standards. Students graduating from NEIA are regarded as a joke. They have enough experience with the software to work as cleanup artists, quality assurance testers, etc. They don't have the skill set to compete among mainstream 3D artists.”* – JA, New Hampshire
- *“While I was signing up I was repeatedly told I would not be able to obtain employment based off my military experience alone...that I needed a degree. The representative stated that I could get my MBA and I would again get assistance in obtaining employment with various technology companies after I graduate. After graduation I was told my degree wasn't suitable... and multiple companies with*

business positions did not see my MBA as a creditable MBA. I feel that I was personally targeted as a veteran.” - RD, Texas

- *When I went into the program at Ashford University I was going for a social science with a concentration in education, which I was lead to believe was a teaching degree and I would be able to become a teacher. The program is no longer available and even on my diploma is only states social science. The degree itself if not enough to help get one a teaching position. Also I had the post 9-11 GI Bill that went straight to the school. Even still they continued to send student loan after student loan. I am not sure what my GI Bill paid for, however I have about 60k in student loans now. With a degree that does not allow me to be a teacher.” - VC, Louisiana*

“These are real people’s real economic lives at stake. Real veterans who wasted their one shot at the GI Bill, and its ticket to the American Dream, because of a totally subpar program that never should have been approved for federal student aid and that even the Education Department deemed as “Failing” Gainful Employment metrics,” said Carrie Wofford, President of Veterans Education Success. **“Secretary Betsy DeVos’s decision is a big gift to the lowest quality bad actor college programs that are notorious for deceiving veterans out of their hard-earned GI Bill.”**

The Education Department’s decision runs contrary to veterans’ recommendation, and benefits only bad-actor schools at the expense of those who are serving or have served our country.

Thirty four of the nation’s largest veterans and military service organizations wrote several letters urging the Department not to weaken the Gainful Employment rule, because servicemembers, veterans, and their families and survivors are often targeted by the lowest-performing colleges that want their GI Bill. Also see The American Legion’s Resolution.

Numerous national veterans’ organizations also testified at the Education Department’s public hearings in 2017 about the importance of the Gainful Employment rule.

- **Student Veterans of America:** “This common-sense requirement applies to career education programs at all types of colleges (public, nonprofit, and proprietary) and protects both students and taxpayers from waste, fraud, and abuse. Additional resources ought to be committed to ensure this regulation is fully implemented, to prevent schools with poor outcomes from continuing to deceive student veterans.”¹
- **Vietnam Veterans of America:** “Too many veterans have been scammed by for-profit institutions of higher learning for which profit is the bottom line and educational opportunities have little importance. VVA has heard countless stories of benefits wasted on bogus degree programs.”²
- **Blue Star Families:** “The families of our All-Volunteer force make unprecedented sacrifices as it is. Military families should not have to experience [being targeted] to fulfill their personal

¹https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/59d585dbf7e0abe5b1ab9876/1507165660380/SVA+Public+Comment_ED+EO+13777+Hearing.pdf

²<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/59dd05a48419c2bc5a9f07dd/1507657125089/Bethany+Keirans+Testimony+-+ED+Student+Aid+Protections.pdf>

goals and/or to financially contribute to the essential and vital dual-income family lifestyle that they live.... Gainful employment provisions that address this issue on the front-end are 100% necessary. The rules and provisions must be implemented; not today, or tomorrow, but yesterday”³

- **Veterans Education Success:** “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. Gainful Employment 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 the Rule.”⁴
- **Iraq and Afghanistan Veterans of America:** “Of strong concern to IAVA is the delayed implementation of the Gainful Employment Rule. This rule was established to protect students from the predatory practices of inadequate schools that seek to sell them useless education programs, and burden them with large student loan debt and little access to the jobs that they wanted. We should fully enforce the Gainful Employment Rule to reduce the odds of situations like [Corinthian and ITT] occurring again. [The] Rule encourage[s] reforms by distinguishing the worst actors in the for-profit sector from those that are delivering quality education programs.”⁵

The Department’s public hearings also included two veterans speaking about their experience:

*“I have served in the US Navy for 20 years, have over 3,500 flight hours, multiple tours to the gulf in support of Operation Desert Shield, OEF and OIF... I request that you do anything that you can to stop schools like ITT Tech from taking individuals funds, lives and dreams. Make schools be more open about what type of jobs their graduates are able to be employed, being in the area of study or general. Lastly, hold schools accountable for the false promises and enable individuals like my son and myself to recover the funds given to these institutions.”*⁶

“Through my distressed history with for-profit colleges I have listened to countless other veteran's tales with abject horror at how they were treated. In my own experience, I felt it was my vulnerability and ignorance that was exploited for further gain by the institution over my best interests. This would be my true

³<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5964bc05414fb52a415d2d74/1499773961275/Blue+Star+Families+Testimony+Dept+of+Ed+HJD+07102017.pdf>

⁴<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5963daebbf629af21c096f6f/1499716332044/VES+-+ED+Public+Hearing+-+oral+comment+June+10%2C+2017.pdf>

⁵<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/59d58cdd59cc68289c43bd8d/1507167453948/IAVA+Education+Dept.+Hearing+Remarks-October+4%2C+2017.pdf>

⁶ Kevin Thompson (veteran), Testimony before the Department of Education, available at <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5963fdb4e4fcb516cba22463/1499725236870/Kevin+Thompson%3B+DoEd+hearing.pdf>. Video available here <https://www.dropbox.com/s/26p94s97ep18xyf/July%20Hearing%20Veteran.mpeg?dl=0>.

conclusion, that too often our education institutions who operate for explicit profit are given the benefit-of-the-doubt that they're working in the best interests of the student who is in fact simply viewed as a number and invoice. I was an active-duty, deployed soldier and still felt exploited. If this is a situation where one does not call for the increased protections provided by these rules, I am unsure how much further an institution can fall before sufficient action would be taken.”⁷

Wofford explained, “Stopping waste, fraud, and abuse in higher education should not be controversial. We remain convinced that there are enough members of Congress on both sides of the aisle who will stand with national veterans and military service organizations in weeding out the lowest-quality schools that bilk taxpayers and students and in standing against waste, fraud and abuse of taxpayer funds.”

BACKGROUND:

What is the Gainful Employment Rule?

- The Gainful Employment Rule, finalized in 2014 and upheld by federal courts multiple times, implements the requirement in the Higher Education Act that career education programs (whether for-profit, public, or non-profit) must “prepare students for gainful employment in a recognized occupation.”⁸
- The rule applies to specific programs within a school, but not to schools as a whole.
- The two-part rule focuses on accountability and transparency:
 - *Accountability*: The rule measures graduates’ debt compared to their incomes to ensure that federally-funded career education programs are preparing students for gainful employment. Programs are given several years of warning and then are cut off from federal student aid if they consistently leave students with debts they cannot repay.
 - *Transparency*: the rule ensures informed college choice by requiring schools to provide information about graduates’ earnings, debt, and success in finding a job in their field.

Why is the Gainful Employment Rule important to Veterans?

- The Gainful Employment Rule helps protect student veterans from programs that consistently leave students with debts they cannot repay. The rule weeds out substandard programs that leave students worse off.
- Veterans are often bombarded with misleading and aggressive marketing and recruiting by substandard colleges hoping to use GI Bill dollars to get around the 90/10 rule; veterans are treated as “nothing more than dollar signs in uniform,” as Holly Petraeus explained.⁹
- 7 of the 10 schools receiving the most GI Bill dollars were under law enforcement investigation for defrauding student veterans, according to a 2014 Senate Report. Eight of those schools received about \$1 billion in GI Bill dollars, but nearly half a million veterans withdrew from

⁷ Ryan Clark (veteran), Testimony at the Department of Education, July 12, 2017, available at <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/596778e6f5e231692da76470/1499953382289/Ryan+Clark%3B+Ed+hearing+testimony.pdf>. Video available here at minute 00:29: <https://www.facebook.com/higherednotdebt/videos/1977892759139950/>.

⁸ 20 U.S.C.A. § 1088.

⁹ www.nytimes.com/2011/09/22/opinion/for-profit-colleges-vulnerable-gis.html?mcubz=0

those institutions within their first year. In those same eight schools, 54 percent of students withdrew from the Bachelor's program, and two-thirds withdrew from an Associate's program without graduating.

- At these substandard schools, the institutional spending on instruction can be relatively low compared to other schools, sometimes even lower than what is spent on marketing and profit. These schools also provide questionable academic rigor, few student services, and insufficient job placement services.
- For example, in the 2014-2015 school year, private non-profit schools spent \$17,567 per student on instruction in 4-year programs, as compared to \$10,221 at public schools, and only \$3,948 at for-profit schools.¹⁰ In the 2014-2015 school year, the school receiving the most GI Bill funds, The University of Phoenix, spent only \$2,126 on instruction, per student on their largest campus.¹¹
 - Undercover agents from the U.S. Government Accountability Office found programs granting credit for obviously plagiarized work and for unacceptable work, including a submission of celebrity photos as a response to an essay assignment.¹²
 - In 2010, substandard colleges that were examined employed two and a half recruiters for every student support employee.¹³
 - University of Phoenix, for example, had a student population of nearly 500,000, but zero career placement staff as of 2010. Similarly, Ashford University, employed one career placement official for their entire student population of over 77,000, as of 2010.¹⁴
- Without the Gainful Employment Rule, Veterans can be left worse off than they started, unable to secure employment in their chosen field, but burdened with student loan debt.

Has the current Gainful Employment Rule been effective?

- Kevin Carey for the *New York Times*, wrote in June 2017, "data released in the final days of the previous administration shows that the existing [gainful employment] rules have proved more effective at shutting down bad college programs [than expected]."¹⁵ According to the Education Department's published data under the first years of implementing the Gainful Employment threshold, five percent of programs failed.¹⁶ These include obvious failures:
 - Art Institute of Pittsburgh Associate's degree in graphic design costs \$44,804. Only 12 percent of students finish on time. Graduates typically earn less than \$22,000, but owe more than \$40,000 in federal student debt.¹⁷
 - McCann School of Business Associate's degree program in medical assisting results in graduates typically earning less than a high school graduate with no college education, and carrying more than \$26,000 in debt.

¹⁰ <https://nces.ed.gov/fastfacts/display.asp?id=75>

¹¹ <https://nces.ed.gov/ipeds/datacenter/institutionprofile.aspx?unitId=afb3afb1acae>

¹² <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/56112384e4b0521c793b0c4d/1443963780937/harkins-full-report.pdf>

¹³ *Id.*

¹⁴ *Id.*

¹⁵ <https://www.nytimes.com/2017/06/30/upshot/new-evidence-shows-devos-is-discarding-college-policies-that-are-effective.html>

¹⁶ <https://studentaid.ed.gov/sa/about/data-center/school/ge/data>

¹⁷ <https://ticas.org/blog/-/78>

- A Master's degree in acupuncture from the Seattle Institute of Oriental Medicine costs \$76,800, but results in median earnings for graduates of just \$16,256 per year.¹⁸
- Fortis College's Associate's degree program in criminal justice produced graduates carrying debts of almost \$32,000 but earnings of only \$15,400 after graduation.
- Administrators now have a clearer idea of their programs' effectiveness thanks to the Gainful Employment Rule, and can now act more responsibly.¹⁹

Why is the Gainful Employment Rule important to taxpayers?

- As of 2012, the career college industry had received up to \$32 billion²⁰, about 25 percent, of all federal financial aid in a single year.
- The career college industry serves only 9 percent of college students but accounts for 33 percent of the nation's student loan defaults.²¹
- The Congressional Budget Office (CBO) estimates that repealing the Gainful Employment Rule would increase spending by \$1.3 billion over ten years by leaving students in subpar programs that will cost taxpayers through wasted student aid and loan defaults.
- The Gainful Employment Rule ensures taxpayer dollars are being spent effectively, and that taxpayer-backed federal student aid is investing in future employment and self-sufficiency for students.

¹⁸ <https://www.nytimes.com/2017/06/30/upshot/new-evidence-shows-devos-is-discarding-college-policies-that-are-effective.html>

¹⁹ *Id.*

²⁰ <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/56112384e4b0521c793b0c4d/1443963780937/harkins-full-report.pdf>

²¹ https://ticas.org/sites/default/files/pub_files/cdr_nr_sept_27.pdf