

U.S. Senate Committee on Health, Education, Labor & Pensions
Hearing on Reauthorizing the Higher Education Act: Strengthening
Accountability to Protect Students and Taxpayers

Written Testimony

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Thank you for the opportunity to submit written testimony on this important topic.

I have special insight into these issues because I served in the executive ranks of several large for-profit college chains, University of Phoenix, Kaplan University, and ITT Technical Institute. I would like to share my experience as a former Campus Director of the now-defunct ITT Tech.

I feel compelled to speak out as an Air Force veteran who was deeply troubled by the conduct of my former employers as they deceived and defrauded so many thousands of veterans – to circumvent federal 90/10 requirements and gain access to veterans' lucrative GI Bill.

In the strongest terms, I want to make plain to this Committee that there are education companies that do not have students' best interest at heart and do not seek to honorably educate students. I hope all members of the Committee do not underestimate the reality inside education companies and fail to realize that not all colleges put students first.

I urge the Committee to recognize the pressures inside a company to demonstrate to Wall Street that we are increasing enrollment growth while decreasing costs and increasing profit. The truth is that educating students is costly. And it is a cost that is the easiest to slash when a company wants to cut costs and increase profit.

The company I was part of was extremely profitable. For example, your Committee reported in 2012 that my ITT Tech CEO, Kevin Modany, was the fifth highest paid of the 30 largest for-profit college companies. But our company's profitability was at odds with its service to students. According to US Education Department data, in 2014, ITT Tech took in almost \$928 million in tuition and fees, but spent only 14% of it on instruction. The lack of spending on instruction showed in the quality of education offered.

Our company had a bifurcated culture. To the outside world, we presented an external appearance of concern for the students and compliance with federal requirements, but, inside the company, students were viewed as potential sales targets and our internal communications focused on "sales production" rather than student needs. The real guidance was that behind closed doors we were to "do anything and say anything" to convince students to enroll and sign the loan package, and our regional chief financial officer regularly expressed aloud, in meetings, his discomfort filing compliance reports and data to the Education Department that he knew to be false. Every employee - even at the highest levels - had recruitment and funding metrics they had to meet, set by HQ and closely monitored - with the threat of termination. Weekly emails to all campuses compared our recruitment numbers.

I share this so the Committee can have a glimpse into the internal priorities and pressures inside a for-profit college company. The truth is that some colleges will bilk students and taxpayers if they have the chance.

It is not so long ago that ITT Tech and Corinthian shuttered under law enforcement pressure. And just recently, bipartisan Attorneys General from 48 states plus the District of Columbia - nearly every state in the nation - worked together to recover \$500 million from another for-

profit college chain, Career Education Corporation, for defrauding students.

With all of the many school closures and failed oversight in recent years, I urge the Committee to strengthen oversight of colleges and accreditors.

I know, from the inside, as a Campus Director, that not all education providers are to be trusted to independently monitor themselves. Thank you very much.