



VETERANS EDUCATION SUCCESS

**Testimony to the Senate Education, Health, & Environmental Affairs Committee
SB 294 : Higher Education - Annual Revenues of For-Profit Institutions - Limitation on Enrollment
(Veterans' Education Protection Act)
Position: Favorable**

February 4, 2020

The Honorable Paul Pinsky, Chair
Senate Education, Health, & Environmental Affairs Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Senate Education, Health, & Environmental Affairs Committee

Chair Pinsky and Members of the Committee:

My name is Ramond Curtis, and I am the State Policy Manager for Veterans Education Success, a nonprofit veterans service organization that advocates for public policy to ensure veterans' higher education success and to protect and defend the integrity and promise of the GI Bill.

I am writing today in support of SB 294 which will protect veterans and servicemembers from fraud and abuse by predatory colleges that target them with aggressive and deceptive recruiting just to get their GI Bill.

To begin, I'd like to share with you what some Maryland veterans have said about being defrauded by a for-profit college. They are among more than 5,000 complaints we have received from veterans who were deceived or defrauded by a for-profit college. For confidentiality sake, I will not use their full name:

I was informed that the credits and the degree that I got from ITT Tech was transferrable. When I got tired of the way the school was teaching the classes (on a very low level, myself and other students had more knowledge and were teaching some of the other students), I looked into transferring to the U of MD and found out I would have to start all over.

- Matthew, Linthicum MD

I was told that my degree would allow me to become certified in medical coding, RHT. I found out after I received my degree that Colorado Techl University was not accredited and I would essentially need to attend an approved school. Also, we were forced to repay money to the VA because CTU double billed the VA. This was found when the VA audited them.

- Karleen, Aberdeen MD

Transferring credits from Strayer is almost impossible when trying to go to a major college. They said they are accredited but didn't explain that the accreditation was regional and not national. In order for me to go to Arizona State University, I have to retake most of my classes because they will not transfer.

- Gene, Finksburg MD

I used the last of my post 9-11 GI bill and 3 years later, I still don't have a job. The school promised job placement assistance but closed down within weeks of my graduation. I felt so short changed, and now I have student loans that I can't afford to pay back.

- Latrecia, Aquasco MD

As some of you may already know, one of the primary demographics that for-profit schools target is the veteran community. Sadly, this is due to a loophole in federal law. Federal law prohibits for-profit colleges from receiving more than 90% of their revenues from federal education aid. The purpose of this revenue cap is to provide a market test, ensuring that federal student aid funds aren't used to prop up failing schools that are unable to attract at least 10% of their revenue from private sources, including employers, scholarship providers, and families. As the U.S. Supreme Court explained in [upholding](#) the rule's precursor, it is "a device intended by Congress to allow the free market mechanism to operate and weed out those institutions [which] could survive only by the heavy influx of Federal payments..." and "a way of protecting [students] by allowing the free market mechanism to operate." However, the Post 9/11 G.I. Bill and Defense Department tuition assistance are not listed in the statute as federal education aid. That means that for-profit schools can legally receive up to 100% of their revenues from federal education aid, as long as 10% of it comes from the GI Bill or tuition assistance. Or, in other words --from servicemembers and veterans. Because of this loophole, for-profit colleges -- particularly those unable to attract sufficient private tuition revenue -- are very eager to enroll veterans. So much so that many rely on

extremely aggressive and deceptive recruiting methods in order to maximize veteran enrollment. To quote Holly Petraeus, wife of General Petraeus and the former head of Service Member Affairs at the US Consumer Financial Protection Bureau: *“For every service member or veteran enrolled at a for-profit college and paying with military education funds, that college can enroll nine others who are using only Title IV money [to pay their tuition]. 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.”*

It should come as no surprise, then, that GI Bill usage is currently dominated by low-quality for-profit colleges that soaked up 39% of all GI Bill tuition and fees between FY 2009 and 2017, and that routinely over-promise and under-deliver.¹

We are grateful that Maryland is focusing on protecting students from predatory for-profit schools, because we know how critical postsecondary education attainment is to economic success. People in the United States who earn a postsecondary degree or credential [earn \\$1 million](#) more over the course of their lifetime than people with a high school diploma or less.² As the United States emerged from the most recent recession, the number of new jobs created that required a college degree dramatically dwarfed the number of jobs needing only a high school degree. In 1973, only 28% of jobs required postsecondary education and training. However, by 2020, that number will increase to [64%](#).³ College attainment also

¹ See Veterans Education Success, [“Schools Receiving the Most Post-9/11 GI Bill Tuition and Fee Payments Since 2009”](#) (2018), available at <https://vetsedsuccess.org/schools-receiving-the-most-post-9-11-gi-bill-tuition-and-fee-payments-since-2009/>

² See Georgetown University Center on Education and the Workforce, [“The College Payoff: Education Occupations, Lifetime Earnings”](#) (2011), available at <https://1gyhoq479ufd3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/collegepayoff-completed.pdf>

³ See Georgetown University Center on Education and the Workforce, [“Recovery: Job Growth and Education Requirements Through 2020”](#) (2013) available at https://1gyhoq479ufd3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/2014/11/Recovery2020.FR_Web_.pdf

[improves people's lives](#): College graduates are healthier, less reliant on public assistance, earn more, pay more in taxes, and are more civically engaged.⁴

However, as the Committee is aware, not all colleges are created equal. Some low-quality colleges actually leave students worse off than if they'd never gone to college at all, with high debt for a worthless degree or no degree at all.

According to data released in a 2016 report by the Maryland Consumer Rights Coalition titled "*Making the Grade? An Analysis of For-Profit and Career Schools in Maryland*," students at for-profit schools in Maryland are paying more for their education, taking out larger loans and facing higher default rates on their loans than students at public institutions.⁵ These issues are compounded by the marketing practices of for-profit schools. The immense financial costs of attending for-profit schools fall disproportionately upon low-income students, who qualify for the highest amount of financial aid, and African American students. And, sadly, on veterans who proudly served our nation and then were targeted by predatory colleges that wanted their hard-earned GI Bill money.

A national report published in November of 2017 by The Century Foundation found that students who enrolled at a for-profit college in recent years are 200 times more likely to end up filing a fraud claim than students at nonprofit colleges, and 1,100 times more likely than students at public colleges. These findings were based on a review of nearly 100,000 federal "Borrower Defense claims," which are applications for loan relief from students who maintain that they were defrauded or misled by a college.⁶

⁴ See College Board, "Education Pays 2019: The Benefits of Higher Education for Individuals and Society" available at <https://research.collegeboard.org/pdf/education-pays-2019-full-report.pdf>

⁵ See Maryland Consumer Rights Coalition "Making the Grade: An Analysis of For-Profit Schools in Maryland" available at <https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/5cd33603e79c70b5a0db5ad2/1557345799535/Making+the+Grade+Report.pdf>

⁶ See The Century Foundation, "College Complaints Unmasked" available at <https://tcf.org/content/report/college-complaints-unmasked/>

Today, for-profit college salesmen continue to recruit on military bases and inside VA hospitals. The U.S. Government Accountability Office ran two undercover investigations, sending agents to pose as students.⁷ Agents reported that every single one of the 15 large for-profit colleges they visited deceived them about the quality of education, cost, and likely job and salary for graduates. Four colleges engaged in actual illegal fraud (such as directing students to falsify federal student loan applications).

A two-year investigation by the U.S. Senate Education Committees⁸ produced similar results, finding extreme levels of deception by for-profit colleges about every aspect of the college (from tuition and the number of credits needed to graduate, to the programs even offered at the school, to the accreditation and transferability of credits to other colleges, to the quality of education to job prospects for graduates). Some for-profit colleges even sign students up for high-interest private loans without disclosing the true terms of loans, and in some cases without the student's knowledge. Some for-profit colleges go so far as to promise a career in fields that require a license – such as law, plumbing, electricity, and medical fields – only for students to find out after graduation that their college is not recognized or properly accredited and graduates are not eligible to obtain licenses required for the career.⁹

⁷ See US Government Accountability Office, “For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices” (Aug. 4, 2010), available at <https://www.gao.gov/products/GAO-10-948T>; US Government Accountability Office, “For-Profit Schools: Experiences of Undercover Students Enrolled in Online Classes at Selected Colleges” (Oct 31, 2011), available at <https://www.gao.gov/products/GAO-12-150>.

⁸ See US Senate Committee on Health, Education, Labor & Pensions, “For-Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success” (2012), available at https://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

⁹ See “The GI Bill Pays for Degrees That Do Not Lead To a Job”, available at <https://vetsedsuccess.org/the-gi-bill-pays-for-degrees-that-do-not-lead-to-job/>

It has become abundantly clear that for-profit colleges across the state and country are not properly serving students and are leaving them with worthless credits and enormous student debt. As the US Senate Education Committee reported, for-profit colleges serve only 13% of students but account for half of the nation's student loan default problem.¹⁰

Our organization works with more than a dozen for-profit college salesman turned whistleblowers who help us identify deceptive tactics by for-profit schools because they feel terrible about how their for-profit college continued to target and defraud veterans of their education benefits. What they tell us is similar to quotes you may have read in news stories such as:

Ashford University:

- *"Whatever that agent needs to say to close that deal, that's what they would say.*
- *We were expected to make 100, 150 dials a day. . . (I felt) pressured into essentially selling my soul to throw fellow veterans under the bus."*
- *There were scoreboards visible to the whole team for how many enrollments you had. Public tallies for senior leadership - both quarterly and monthly. There were quotas and explicit pressure, and the ancillary things that forced the quotes was a problem.*

University of Phoenix:

- *"It is school policy to pressure their Enrollment staff with quotas and this work philosophy breeds unethical competitions and unethical enrollment practices."*
- *"UOPX likes to tell their potential students that UOPX offers job assistance as part of their support program. However, its a complete lie! There is no help for students to get a job, no help to prepare for a career in the field of their choice and even the site that was assigned to offer a career search option rarely works."*

¹⁰ See US Senate Committee report, *ibid* FN 8

- “*Enrollment quotas force staff to do anything they need to in order to stay compliant within policy and it is the wrong way to recruit students.*”

Maryland’s for-profit colleges and career schools offer a variety of career-oriented programs, ranging from courses in medical billing to programs in building trades. We know that some of these institutions are crossing ethical and legal lines to boost their veteran enrollment across the country. The breadth of scandals plaguing the for-profit business sector is hard to overstate. It is, simply, one of the most troubled sectors in our nation’s history.

On New Year’s Day this year, *The New York Times* published a full-page editorial by the Editorial Board calling on America to close the 90/10 loophole and protect veterans’ hard-earned GI Bill from predatory college recruiting. The *New York Times* noted, in part, “On Dec. 10..., the Federal Trade Commission reached a \$191 million settlement with the for-profit University of Phoenix to resolve charges that the school falsely promoted its educational benefits and used deceptive marketing materials that ‘targeted active-duty service members, veterans and military spouses.’”

Just last year 49 state attorneys general, including the AG for Maryland, reached a settlement with Career Education Corp., securing just under \$500 million in debt relief for over 179,000 students nationwide. The settlement was the result of a five-year investigation, which began in 2014 after states received complaints from students. If we hope to ensure that Maryland students seeking post-secondary education are protected, our state legislature must work to develop regulatory practices and policy that filters out predatory for-profit programs.

Your work here will help save many thousands of Maryland veterans from being fleeced out of their hard-earned GI Bill. I’d like to close with a quote from one Maryland veteran:

I was outright lied to by American InterContinental University and was told that after my AA was completed it would only take another 3 months to complete my BA in healthcare management because the credits would transfer. Upon completion I found out that was a bold face lie. The only reason I attended their school was to obtain both degrees fast. Plus, they used my GI bill while I was on Active Duty stating my TA would not cover it. They literally used none of my TA benefits and solely burned through my GI Bill. It's disgusting that they took advantage of me because I was uninformed and trusted them.

- *William, Jarrettsville MD*

We hope you take this opportunity to protect Maryland veterans, and taxpayers from high-cost, low-return for-profit colleges and private career schools. We urge you to move favorably on SB 294.