March 4, 2021

Majority Leader Charles Schumer
Hart Senate Office Building, 322
Washington, DC, 20510

Minority Leader Mitch McConnell
Russell Senate Office Building, 317
Washington, DC, 20510

Dear Majority Leader Schumer and Minority Leader McConnell,

We write in support of the provision of the American Rescue Plan Act of 2021 that will close the 90/10 loophole and restore the intended impact of the rule. By accurately accounting for all taxpayer dollars that flow to for-profit colleges, this change will identify high-risk colleges that are overly dependent on federal subsidies, and that may be financially unstable during the pandemic. It will also remove the incentive to disproportionately recruit and enroll veterans in for-profit colleges.

The COVID-19 pandemic, and the economic crisis that it has precipitated, makes it critical to address this issue now. The evidence is undisputed that economic downturns lead to surges both in recruiting by, and enrollment in, for-profit colleges. During the early 2000 recession, student enrollment at proprietary colleges increased by almost 29 percent, and during the "Great Recession" student enrollment at for-profit colleges increased by close to 49 percent, compared to growth between 8 and 9 percent across other sectors of higher education. The explosive enrollment growth during the Great Recession, driven in part by aggressive and deceptive recruiting practices, was followed by the collapse of multiple high-risk for-profit colleges including Corinthian Colleges and ITT Tech. Those collapses left hundreds of thousands of students, disproportionately low income students, women, and students of color, stranded with high debt and virtually worthless degrees. The cycle, this time driven by the COVID-19 pandemic, has already started to repeat: for-profit college enrollment has increased 13 to 15 percent, while public college enrollment, particularly at community colleges, has declined as much as 20 percent.
The 90/10 rule requires that for-profit colleges demonstrate that they generate at least 10 percent of revenue from sources other than federal student financial aid. Closing the loophole means that other federal education benefits, including GI Bill benefits provided to veterans, must also be counted as federal subsidies on the 90 side of the calculation. The effect of closing the loophole is to help stop this pandemic related enrollment surge at the small number of for-profit colleges that rely almost exclusively on federal dollars.

Closing the 90/10 loophole also better protects veterans and military-connected students by eliminating the incentive to disproportionately recruit these students with aggressive and sometimes deceptive recruiting tactics. The loophole has particular consequences for veterans because it leads to well-documented and disproportionate deceptive and misleading recruiting tactics directed at veterans and servicemembers. News articles and testimony have documented former recruiters explaining these practices. In 2019 the Federal Trade Commission entered into settlements with two of the largest for-profit colleges after investigations documented military focused deceptive recruiting practices.

Unsurprisingly, COVID-19 and the accompanying economic chaos has also led for-profit schools to increase advertising and recruiting. One report by Veterans Education Success found that some for-profit colleges have increased their social media advertising during COVID, some by as much as 15,000 percent. Many of these same schools have previously been investigated for deceptive recruiting practices. A report by The Century Foundation similarly documented examples of concerning COVID-focused marketing and advertising practices during the pandemic.

Closing the 90/10 loophole not only removes the incentive to target veterans, it also highlights the small number of for-profit colleges that pose a risk to all students. By identifying and addressing rapid growth supported by an over-reliance on taxpayer subsidies, closing the loophole offers policy makers the opportunity to better protect both students and taxpayers. The COVID-19 pandemic has unfortunately left policymakers poised on the brink of another for-profit college boom-and-bust moment. By acting now to close the 90/10 loophole, the effect of the pandemic on students and veterans attending for-profit colleges can be addressed before students are once again left in the lurch.

Sincerely,
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
Americans for Financial Reform
Campaign for America's Future
Center for American Progress
Center for Public Interest Law
Center for Responsible Lending
Children's Advocacy Institute
Consumer Action
Consumer Federation of California
David Halperin, Attorney
Education Reform Now
Generation Progress
Hildreth Institute
Housing and Economic Rights Advocates
Maine Center for Economic Policy
Maryland Consumer Rights Coalition
National Association for College Admission Counseling
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low-income clients)
National Education Association
New America Higher Education Program
New York State Association for College Admission Counseling
Partnership for College Completion
Project on Predatory Student Lending
Public Good Law Center
Robert Shireman, Director of Higher Education, The Century Foundation
Student Borrower Protection Center
Student Veterans of America
The Education Trust
The Institute for College Access & Success
Third Way
UnidosUS
Veterans for Common Sense
Veterans Education Success
Young Invincibles