

Written Testimony of Whitney Barkley-Denney
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Before the Maine Committee on Education and Cultural Affairs

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Recommends a Positive Report on LD 103, "An Act To Ensure the Integrity of For-profit Colleges"

Senator Millett, Representative Kornfield, and Members of the Joint Standing Committee on Education and Cultural Affairs:

My name is Whitney Barkley-Denney, and I am a senior policy counsel with the Center for Responsible Lending. The Center for Responsible Lending is a national non-partisan advocacy and research organization working to ensure a fair, inclusive financial marketplace by addressing harmful lending practices. We are an affiliate of Self-Help Credit Union, a community financial development institution whose mission is creating and protecting ownership and economic opportunity for all.

I am writing you today to share my expertise on the issue of for-profit colleges and urge a positive report on LD 103, An Act to Ensure the Integrity of For-Profit Colleges.

My professional background as a lawyer and policy counsel includes having sat on three federal education rulemaking committees from 2014-2018, helping to write two sets of rules to prevent fraudulent practices by for-profit colleges.

For-profit colleges are nothing new. In fact, one of the first for-profit schools was a secretarial and typing school during the Industrial Revolution, which prepared students for office jobs that got them off the farm and assembly line. What is new, however, is the explosive growth that these schools have seen since the financial crisis of the mid-2000s.

In the wake of that explosive growth came fraud. A 2012 Senate HELP Committee Report, the Harkin Report, found that these schools, which can take nearly all of their revenues from taxpayer dollars, overspend on advertisements and CEO salaries; underspend on instruction; target women, poor students, and students of color; and graduate too many students unable to find a job or repay their loans.¹ In the years since, advocates, families, and students have watched as school after school has collapsed. This includes Corinthian Colleges, ITT Tech, the Art Institutes, and, late last year, Virginia College, each leaving students with tens of thousands of dollars in debt and worthless degrees in their wake.

The failure of for-profit schools is particularly troublesome when one considers that they are heavily reliant on public dollars. For-profit colleges are able to take up 90% of their revenues from Title IV sources. However, because for-profit schools are also able to take GI Bill and Department of Defense dollars, many schools get more than 90% of their revenues from federal sources. In fact, a 2016 review

¹ US Senate HELP Committee, *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success*, (2012) https://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf

by the Department of Education found that 133 for-profit schools violate 90/10 when GI Bill dollars are taken into account, and 14 take 100% of their revenues from federal taxpayer dollars.²

The ability to access unlimited dollars via the GI Bill makes veterans very valuable to for-profit schools.

For-Profit Schools in Maine Are No Different from Their National Peers

Research consistently finds that students who attend for-profit schools are more likely to have higher debt loads, lower graduation rates, and higher loan default rates than other students in the state.

Students are left with large loans that they cannot repay and very little to no educational benefit in return. A report by the Center for Responsible Lending, released this week, found that Maine schools are not exempt from the issues faced by their national counterparts.

Our report uses data from the 2018 College Scorecard to provide a snapshot of for-profit colleges in Maine. We compare the demographics, costs, and financial burdens for students after leaving school at institutions of higher learning in Maine. In order to make an apples-to-apples comparison, we focused our research on two-year programs, comparing for-profit two-year programs to those at public and private non-profit schools.

In short, our research found that:

- For-profit colleges disproportionately enroll low-income students, African American students, and female students. In fact, on average, the student body at Maine's for-profit colleges are 51% low-income (measured by Pell Grant recipients), 64% female, and 18% African American students.³
- Maine's for-profit colleges are expensive. The median debt level for graduates of a Maine for-profit college is more than \$21,000 for a two-year program, as opposed to less than \$11,000 for a community college graduate. And about 68% of for-profit college students in Maine borrow to attend school, as opposed to just 34% of public school students.⁴
- Finally, we found that Maine borrowers who attend for-profit schools struggle to repay their loans. Loan repayment rates measure what percentage of borrowers are able to pay even a dollar on the principal of their loan each year. In Maine, only about 44% of for-profit college borrowers are able to make those payments.⁵

The struggle to repay their student loans is particularly acute for Mainers who borrowed to attend for-profit schools. In the fall of 2018, Center for Responsible Lending partnered with the Maine Center for Economic Progress to survey Maine student loan borrowers about their debt. We didn't just want to get data – we wanted to understand how their debt affects their everyday lives.

² US Department of Education (2016) <https://s3.amazonaws.com/static.apps.cironline.org/doe/133.html>

³ US Department of Education, *College Scorecard*, (updated 2018) <https://collegescorecard.ed.gov/data/>

⁴ Id.

⁵ Id.

The results were overwhelming. Student loan debt is at crisis levels in the state of Maine. But like the housing crisis, the student loan crisis is being driven, in part, by subprime schools delivering a subprime product.

Through this survey, we were able to gain a better glimpse into Mainers' experiences with debt after attending a for-profit college. Of those surveyed who attend for-profit college, 79% have debt from that school, and 56% have struggled to make monthly payments. Specifically, 44% have struggled to purchase basic necessities like groceries or gas because of the loan debt they incurred to attend a for-profit school, 30% skipped a necessary doctor's appointment or filling a prescription, and a full 23% have faced garnishment of their tax return or wages to pay a student loan debt.

States Must Act If the Federal Government Will Not

Despite the well-documented numerous problems and concerns with for-profit colleges, the U.S. Department of Education is currently taking steps to roll back existing protections against student loan servicing abuses. For the past two years, the Department has engaged in multiple efforts to protect industry interests at the expense of harmed students by undoing or weakening federal regulations that protect students from predatory for-profit colleges.⁶

In light of the federal government's failure to meet its obligation to protect students, states can and must take action to fill the void. Indeed, states have long played a critical role in the oversight and authorization of programs and schools offering postsecondary education and the protection of students from predatory practices by for-profit schools.⁷ As a bipartisan group of thirty state Attorneys General wrote to Members of Congress last year:

Given the states' experience and history in protecting their residents from all manner of fraudulent and unfair conduct, they play an essential role in consumer protection in student loans and education. States are uniquely situated to hear of, understand, confront, and ultimately, resolve the abuses their residents face in consumer marketplace. Abuses in connection with schools or student loans are no different. As with other issues facing their citizens, state regulators bring a specialized focus to, and appreciation for, the daily challenges experienced by students and borrowers. Far from interfering with the Department and other federal efforts to rein in abuses, the record overwhelmingly demonstrates that state laws and state enforcement complement and amplify this important work.⁸

State oversight of for-profit schools is critical, not just to the quality of schools, but to the students who are choosing where to go. Many would-be students assume that if the school is accredited, approved by

⁶ See, e.g., ; New York Office of the Attorney General, "Attorney General Underwood: Secretary DeVos Puts Predatory For-Profit Schools Ahead of Defrauded Students with Proposed Borrower Defense Regulations" (Aug. 30, 2018), <https://ag.ny.gov/press-release/attorney-general-underwood-secretary-devos-puts-predatory-profit-schools-ahead>; Andrew Kreighbaum, "Winners and Losers from DeVos Approach," Inside Higher Ed, (Aug. 7, 2018), <https://www.insidehighered.com/news/2018/08/07/devos-regulatory-framework-means-less-pressure-colleges-tougher-standard-student>; Letter from Lisa Madigan, et al. to The Honorable Betsy DeVos, et al. (Feb. 22, 2017), https://ag.ny.gov/sites/default/files/multistate_ag_letter_on_for-profit_schools_feb_2017.pdf.

⁷ See, e.g., Robyn Smith, Ensuring Educational Integrity: 10 Steps to Improve State Oversight of For-Profit Schools (2014), <https://www.nclc.org/images/pdf/pr-reports/for-profit-report.pdf>.

⁸ Letter from Eric T. Schneiderman, et al. to The Honorable Betsy DeVos (Oct. 23, 2017), https://ag.ny.gov/sites/default/files/devos_letter.pdf.

the state, and able to get access to Title IV, they must be a legitimate institution. In this way, the state's approval serves as a Good Housekeeping seal for Maine students looking for a path to the middle class.

With LD103, this committee has an opportunity to make that seal of approval meaningful. I urge you to vote for a positive report on LD103. Thank you.