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THE FEDERAL INVESTMENT IN FOR-PROFIT EDUCATION: ARE STUDENTS SUCCEEDING?

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

ON

EXAMINING THE FEDERAL INVESTMENT IN FOR-PROFIT EDUCATION, FOCUSING ON IF STUDENTS ARE SUCCEEDING

SEPTEMBER 30, 2010

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C O N T E N T S

STATEMENTS

THURSDAY, SEPTEMBER 30, 2010

ADDITIONAL MATERIAL

THE FEDERAL INVESTMENT IN FOR-PROFIT EDUCATION: ARE STUDENTS SUCCEEDING?

THURSDAY, SEPTEMBER 30, 2010

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:07 a.m., in Room SD–124, Dirksen Senate Office Building, Hon. Tom Harkin , chairman of the committee, presiding.

Present: Senators Harkin, Reed, Casey, Merkley, Franken, Enzi, Burr, and McCain.

OPENING STATEMENT OF SENATOR HARKIN

The CHAIRMAN. The Senate Committee on Health, Education, Labor, and Pensions will come to order.

This is the third in a series of hearings by this committee examining the Federal investment in for-profit colleges and universities. As we have seen in recent months, this is a very wealthy and powerful industry. It has spent a small fortune on full-page ads in major newspapers drawing attention to its schools.

I certainly agree, that at their best, for-profit colleges may offer an alternative model for higher education. But this committee's ongoing investigation has brought to light disturbing practices that appear to be systemic to this industry and that raise serious questions about the enormous taxpayer investments in these schools.

During our hearing on August 4, the Government Accountability Office presented a troubling picture of student recruitment at for-profit colleges. Undercover investigators from GAO visited 15 campuses of 12 companies and found misleading, deceptive, overly aggressive or fraudulent practices at every one of those campuses. We heard testimony that these recruitment practices result in students unprepared or poorly matched to their academic program, with a high probability of dropping out, leaving school not with a degree but with a mountain of debt.

Frankly, it is hard to imagine that an educational relationship that begins with a school deliberately misleading and sometimes outright lying to the student could result in a meaningful degree or a positive outcome. Nevertheless, we continue to hear claims from for-profit colleges that, despite deceptive marketing, they provide a meaningful educational opportunity to low-income college students. At today's hearing we will explore the credibility of that claim.

Following our last hearing, I issued a request for documents from 30 for-profit higher education companies. Each of those companies has complied and cooperated. I'd like to thank the companies, especially the smaller schools, who may not have expected to be included and have provided particularly clear and thorough responses. I look forward to the completed submissions in the next 2 weeks.

The information provided by the companies is helping to fill in the serious gaps in publicly available information about the for-profit education sector and its students and about what taxpayers are getting for the $24 billion annual investment in these schools. Let me repeat that: the taxpayers' investment is $24 billion a year.

In preparation for today's hearing, I asked my staff to assemble a report based in large part on data about Federal and State revenues and student outcomes provided by the companies and analyzed by my staff. I'd like to ask consent to put this report and the summary sheet of data, which I have here, in the record at this point.

Senator ENZI. To the extent the documents included with the report are not proprietary or trade secret data, I have no problem with it.

The CHAIRMAN. And they don't.

[The material referred to may be accessed electronically at *http://harkin.senate.gov/documents/pdf/4caf6639e24c3.pdf*.]

I will say that late last evening, about 8 o'clock, we were informed by one of the larger companies that they had provided inaccurate data to this committee. The HELP Committee depends on companies to completely and accurately provide information for analysis. If this incorrect data provided by the school requires adjustment to the report, it will be made accordingly.

I might just add that this is one of the larger companies. They called last night at 8 o'clock. They went through the methodology for a couple of hours with my staff. My staff thought it was resolved at about 10 p.m. last night. At 5 a.m. today, we received another email, followed by a phone call at 7 a.m. today, to my staff, from the same company, saying that they still had additional inaccuracies.

This makes me wonder. If a large company like this can't even provide an accurate list of their students, what is going on?

The report is titled "The Federal Investment in For-Profit Higher Education: Debt Without a Diploma." It shows how for-profit colleges have raised the stakes for the Federal taxpayers and for students. I have a series of slides that kind of indicate this.

[Slide.]

Slide 1 shows that, because of their almost total reliance on taxpayers' dollars, for-profit colleges have made the Federal Government their primary free-money spigot. And I think that slide shows that at least at 14 of these schools, 87 percent of their money came from the Federal Government. At least four of these, the Federal dollars now account for over 90 percent of the revenues. But at 16 companies, profits in 2009 totaled $2.7 billion, with some profit margins going as high as 37 percent. I think the Standard and Poor's last year was about 6.5 percent.

View Slide No. 2.

[Slide.]

Second, by obligating almost every student to take out loans, for-profit colleges have turned higher education into a high-stakes gamble for low-income students. Ninety-five percent of for-profit college students borrow to attend school, compared to just 16 percent of community college students. For-profit colleges account for only 10 percent of students enrolled in higher education, but those students receive 23 percent of Federal student loans and grants and account for 44 percent of the student loan defaults.

[Slide.]

The new report examines the rate at which students withdraw from 16 institutions. Of students who enrolled during the 2008–9 school year, 57 percent had withdrawn by this past summer. That is 57 percent of students withdrawing within the first 2 years, based on self-reported numbers by the institutions themselves. Now, these students take with them thousands of dollars in student loan debt and none of the earning potential that comes with a college degree.

Over the past 3 years, almost 2 million students have withdrawn from for-profit colleges. None of these students gained a degree or a certificate, but almost every one of them left with a debt that they are struggling to repay, debt that is not dischargeable in bankruptcy and could bar them from getting future student loans. Let me repeat that. Over the past 3 years, almost 2 million students have withdrawn from for-profit colleges. They got neither a degree nor a certificate, but almost every one left with debts, sometimes huge debts, not dischargeable in bankruptcy and could bar them from getting future student loans.

The bottom line is this. For students enrolling in for-profit schools, graduation with a degree is a possibility, but a debt without a diploma is a probability. Going to college should not be like going to a casino, where the odds are stacked against you and the house usually wins.

[Slide.]

This last slide shows the tuition costs for average withdrawing bachelor's degree students. As you can see, it ranges from $8,904 up to $11,328, and that is for a period of 15 to 22 weeks. That's not per year. For some of them, their semesters range from 15 weeks to 22 weeks. But that's the tuition cost for 15 to 22 weeks, as high as $11,000.

I had some students in at my breakfast yesterday morning from one of the for-profit colleges located in my home State. Nice young people. They all receive both scholastic and sports scholarships. I just happened to randomly ask one of the basketball players, who was there on a basketball scholarship, I asked him if he'd taken out student loans. He said, "Yes." I said, "How much is your debt?" He said, "About $50,000." And he hasn't even graduated yet.

I turned to another young person who was there on a track scholarship. I said, "Do you take out student loans?" He said, "Yes." I said, "Well, how many have you taken out?" He said, "Oh, about $40,000."

Think about these kids. Even if they are lucky enough to graduate, what kind of jobs are they going to get to pay back that kind of a huge debt?

So, given the financial risks that some for-profit schools pose to prospective students, my question is, are they the right institutions to be targeting low-income students? Today we'll hear from several witnesses with insight on this question.

Now I invite Senator Enzi to give his opening statement.

OPENING STATEMENT OF SENATOR ENZI

Senator ENZI. Thank you, Mr. Chairman.

I agree there is clearly a problem in higher education. Now, you'll notice I didn't limit that comment to for-profit schools. Students are taking on too much debt, defaults are too high, and students are having too much difficulty finding jobs or even completing their program of study. After two hearings devoted to highlighting these issues in the for-profit sector, which amounts to only 10 percent of higher education enrollments, I don't think there's a single person in the room that would disagree that there is a problem.

However, it's naïve to think that these problems are limited to just the for-profit sector. We've been looking at this in a vacuum. $24 billion of taxpayer money, that's money that goes to students for their tuition help, which of course winds up with the institution. That's no different than other colleges and universities where the students get help from the Federal Government. That also goes to that institution, not to mention the taxpayer dollars from the States and other sources that go into that sector.

Two million withdrew and had debt. How many have withdrawn from community colleges and other colleges and had debt? We're looking at this issue in a vacuum. For instance, I saw an article this last week about law schools and the amount of tuition they charge, the students completing it, how much debt they have, and that's one of the sectors where they're overstocked with people. So we're just looking at all of this in a vacuum and that's not fair.

As Senator Burr correctly explained during the last hearing, many public and private nonprofit schools are having difficulty graduating even 20 percent of their students. Just this month we learned that the cohort default rate has increased over the past year in every sector of higher education—public, nonprofit, and for-profit. And underlying all of this is the fact that tuition continues to rise in all sectors of higher education faster than the rate of inflation, putting the dream of a college education out of reach for many of our most financially vulnerable students.

So what are we going to do about it? Are we going to find solutions? Why aren't we holding hearings with experts who can offer constructive solutions? If we want to make the for-profit sector better, why aren't we looking at what is being done right as an example of how to move forward? If we want to weed out the bad actors, why have these hearings been designed to suggest that all for-profits are inherently bad? If we want to understand why defaults are increasing and completion rates are declining, why have only one-third of the witnesses in the past two hearings had any expertise in education policy? If we want to make sure that students have access to high-quality college education and make higher education more affordable, why are we not looking at these problems throughout higher education?

Furthermore, why are we not looking at the dramatic regulatory changes being proposed by the Department of Education?

Mr. Chairman, this committee has an obligation to protect the interests of students. Unfortunately, the interests of students are not being served by this series of hearings. Moreover, Mr. Chairman, you've requested hundreds of thousands of pages of information, much of which is highly confidential information, from 30 for-profit schools. Onerous document requests, hastily conducted investigations, and narrowly focused anecdotal data analysis that blatantly ignore the problems faced by the vast majority of students are not the way to address this or any other problem.

I came here to make a difference, not to make headlines. So I'm ready and willing to work with the chairman to begin addressing these problems and help achieve the President's goal of being first in the world in college completion by 2020. However, instead of working to find solutions to improve these schools, the two previous hearings have focused entirely on tearing these schools down. After reviewing Chairman Harkin's report and reading the testimony of the witnesses, it appears that this hearing will simply be more of the same.

This hearing appears to have been planned in conjunction with the Department of Education's proposed Gainful Employment Rule, discriminating against all for-profit schools while ignoring colleges and universities with the same record. That rule drew 90,000 comments. Several full-page ads about the effect on low-income students have been in the newspapers. You probably recognize this one. I hope everybody not only recognizes it, but reads the text that goes with it.

I would mention that the proposed rule has been partially withdrawn by the Administration. Actually, it's been delayed until next year. That would be after elections, right?

So I ask that the text of my letter making comments on that rule be included in the record.

[The material referred to was not available at time of print.]

Senator ENZI. And I ask that the text from this ad by the National Black Chamber of Commerce be included in the record as well. According to the NBCC, the Department's proposed Gainful Employment Rule, will lead to 400,000 students leaving postsecondary education, it will lead to a 15 percent reduction in lifetime salary for those students, it will eliminate 90,000 to 100,000 jobs, and it will create a $5.3 billion burden on taxpayers. That's according to the National Black Chamber of Commerce. That's some of the text that's on that page.

[The material referred to was not available at time of print.]

Senator ENZI. These numbers are staggering and not something the committee should ignore, especially in a down economy. But that hasn't stopped the pounding here. There are problems in all sectors of higher education and it's not fair to pick on and abuse one sector in a vacuum.

Finally, you'll notice there are no Republican witnesses on this panel. During the two previous hearings we invited individuals with extensive and highly respected backgrounds in education. Each acknowledged that the for-profit sector is not perfect and that there's room for improvement. However, instead of engaging in a productive and professional conversation about what we can do to fix the problems, the majority chose to mischaracterize their testimony and attempted to lead them into misstatements. Given the hostile treatment received by our previous witnesses, I refrained from leading other witnesses into that kind of treatment.

I also want to point out that this isn't just a college thing. I have the "Diary of Alpha Kappa Psi." It's a business fraternity that I belonged to when I was in college, and every month it has an article that deals with ethics. This one's called "Servant Leadership" and it says,

> "I was asked by a reporter recently, how can servant leadership in a capitalistic society be based on greed? The answer was simple: The free enterprise system works best when business leaders are servant leaders. Why? Because servant leaders listen to the customers. The theory of the invisible hand is that each producer is free to choose what to sell and at what price, and if each consumer is free to choose what to buy and at what price then the market will settle on the product and prices that are beneficial not only to the individuals."

I would ask permission that the entire article be included in the record. It's a good discussion of greed and whether it's widespread and what to do about it. That's what we ought to be concentrating on, what to do about it.

[The material referred to follows:]

[Diary of Alpha Kappa Psi: Summer 2010, (Vol. 99, N0. 2)]

SERVANT LEADERSHIP: MAKING THE FREE ENTERPRISE SYSTEM WORK BETTER

(By Dr. Kent M. Keith, *CEO, Greenleaf Center for Servant Leadership*)

INDIANAPOLIS.—I was asked by a reporter recently,

> "How can servant leadership work in a capitalist system that is based on greed?"

My answer was simple.

> The free enterprise system works best when business leaders are servant-leaders. Why? Because servant-leaders listen to their customers.

Capitalism is not about greed, it's about the freedom to choose

Let's start by unraveling some of the assumptions in that reporter's question. First of all, I don't accept the assumption that capitalism is based on greed. Capitalism is an economic system in which the means of production and distribution are privately owned by individuals or corporations, instead of being owned by the government. It is characterized by the existence of a free market for goods and services.

Yes, there have been—and still are—some greedy capitalists. But the idea that "greed is good" is not part of the definition of capitalism. In 1776, the Scottish philosopher Adam Smith published *An Inquiry into the Nature and Causes of the Wealth of Nations*, which may have been the first modern work on economics. Smith described the advantages of the division of labor, and the way in which an "invisible hand" would lead to the efficient allocation of resources in the marketplace. That "invisible hand" was the sum of millions of decisions that individuals made about what to produce, where to work, what to buy and at what price. It was not about greed, but about the freedom to choose.

The theory of the "invisible hand" is that if each producer is free to choose what to sell and at what price, and if each consumer is free to choose what to buy and at what price, then the market will settle on the products and prices that are beneficial not only to individuals but to the community as a whole. Producers will provide what consumers really want, at prices they are willing to pay.

Is there self-interest in all this? Of course. People prefer to work at some tasks and not others; producers try to be efficient in order to make the most money; investors go where the return promises to be the highest; consumers prefer to buy some products and not others; and buyers like low prices. No surprises, here. But self-interest expresses itself not as greed, but as free choice in the marketplace, leading to the optimum allocation of resources.

There is another reason that "greed is good" doesn't match up well with Adam Smith. Few people know that Adam Smith considered himself a moral philosopher, and he thought his best book was *The Theory of Moral Sentiments*. He argued that it was in our self-interest to be compassionate and sympathetic toward others. Invisible hand, yes; greedy hand, no.

> Servant-leaders don't begin with the answer. They don't begin with their own knowledge or expertise. They begin with questions that will help identify the wants and needs of their customers. Once those wants and needs are identified, servant-leaders find the people and resources to respond with the right programs, products or services to make their customers happy.

Making better choices

Now—if the essence of the capitalist system is the freedom to choose, then the free enterprise system works best when companies choose to make the things that people really want. Let's say that a company decides to produce item A, and the marketing and sales departments work hard to sell it. But what if consumers don't want to buy A? What if they prefer B, instead? Then a lot of time and money is wasted developing, producing, and trying to sell an unwanted product.

But what if that company had really listened to its customers before creating A? Imagine that the company had done market research through surveys and focus groups. They also asked their frontline sales and service colleagues to give them input. What are customers saying? What are they asking for? What do they like and not like? If the company had been good at listening, it might have discovered that people wanted B. If they had created B, the customer would have been happy, and the company would have been more profitable. It would not only have sold a lot of B, it would also have saved all the money it wasted creating and marketing A. When companies are close to the customer, they make better choices, and the free enterprise system as a whole is more efficient and effective in allocating resources.

Listening

So, what's the tie-in to servant leadership? Listening.

One of the key practices of servant-leaders is listening. Robert Greenleaf, the businessman who launched the modern servant leadership movement, said that only a natural servant leader begins by listening.

Listening to your customers is of fundamental importance. It's the way you become relevant, the way you link up. How can you meet the needs of your customers if you don't know what those needs are? And how will you know if you don't listen?

The main point is this: Servant-leaders don't begin with the answer. They don't begin with their own knowledge or expertise. They begin with questions that will help identify the wants and needs of their customers. Once those wants and needs are identified, servant-leaders find the people and resources to respond with the right programs, products or services to make their customers happy.

Howard Behar is a member of the board of trustees of the Greenleaf Center for Servant Leadership and the author of *It's Not About the Coffee: Leadership Principles from a Life at Starbucks*. Howard Behar joined Starbucks in 1989 when it had only 28 stores. Over the years he was executive vice president of sales and operations, president of Starbucks International, and president of Starbucks North America. Howard has a sign on his wall that has two words on it: "compassionate emptiness." He says:

> Compassionate emptiness involves listening with compassion but without preconceived notions. Compassionate emptiness asks us to be caring but empty of opinions and advice.

That's how we can listen—being truly attentive to the person who is speaking, instead of thinking about what we are going to say next. That makes it possible to really hear, and then respond appropriately.

One of the most relentless listeners I have ever met is Dick Pieper, recently retired chairman of PPC Partners, Inc., headquartered in Milwaukee. Dick is chairman of the board of trustees of the Greenleaf Center for Servant Leadership. PPC Partners owns a series of electrical service and construction firms. Dick joined Pieper Electric as president in 1960, when the family-owned business had eight employees doing $250,000 of business per year. Today, PPC Partners, Inc. employs 900 to 1,100 people, does hundreds of millions of dollars in sales, and is one of the top electrical contracting firms in the United States.

One reason for the company's dramatic growth is that Dick is always getting feedback from colleagues and customers. He is always asking and listening, inside and outside the company.

Comments are solicited and studied, and the follow-up is comprehensive. At Dick's company, listening is a broad-based, systematic process with a focus on constant improvement.

Muhammad Yunus has changed the lives of hundreds of thousands of people in Bangladesh through micro-credit. He and his bank, Grameen Bank, won the 2006 Nobel Peace Prize for their work, which has spread to other parts of the world. In his book, *Creating a World without Poverty*, he describes how he was an economics professor, teaching about the nation's long-term plans. But things in Bangladesh were not getting better.

Finally, Yunus went out into the villages and listened. What he discovered was that people needed small amounts of capital. They had no collateral, so banks would not loan money to them. But the villagers had energy and potential, and the amounts of capital they needed were very small—50 cents or 75 cents. Yunus made 42 loans out of his own pocket, for a total of $27. He asked for no collateral, but the villagers paid their loans back. Yunus has continued to watch and listen, and has launched an array of companies, each designed to give opportunities to the poor. Hundreds of thousands of people in Bangladesh and around the world are now part of this micro-credit revolution. It would have never happened if Yunus had not decided to listen first.

We cherish the free enterprise system. If we want it to be as efficient as possible in allocating resources and meeting the needs of consumers, we must have the kind of leaders who are good at listening: Servant-leaders.

Through the fraternity's partnership with the Greenleaf Center for Servant Leadership, our members get discounted memberships and access to conferences. Learn more about what it means to be a servant-leader and take advantage of this special Alpha Kappa Psi member benefit by visiting akpsi.org.

Senator ENZI. I do stand ready to work with the chair on solutions to the problems facing our Nation's students and higher education. Over the past 15 years, wages of young college graduates ages 25 to 34 have basically remained stagnant, while tuition and fees at public and private 4-year colleges have risen dramatically. Over the past 3 years, that cycle has accelerated. Let's get to work solving that problem, Mr. Chairman.

In my 14 years, I haven't been through a series of hearings that have been this one-sided.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Enzi. I'd just say that I guess it is less than 10 percent of all the students, but it's now approaching 25 percent of all the Federal money. And that's growing. That's one of the reasons that drew our attention to this.

The question had to do with how many withdraw from community colleges and whether or not we're focusing just in a vacuum on this. Well, the point is that only 16 percent of community college students borrow money. Ninety-five percent of for-profit college students borrow money and they borrow money at a higher amount than students at community colleges.

Plus there's the whole thing of tuition. In our report that we put in the record, according to GAO's August 4 testimony, of the 15 schools investigated 14 had higher tuition than the nearest public college offering a similar program. One particular for-profit college offered a, "computer-aided drafting certificate" for $13,945, when the same program at a community college would cost $520. That's from the GAO, not from me.

The cost of an associate's degree offered by the second largest for-profit school is over $38,000 and a bachelor's degree from the same school can cost up to $96,500. Thus, a student who enrolls in a for-profit school, even for a short period of time, can amass many thousands of dollars of debt that can take years to repay.

So again, I agree with my friend from Wyoming that it is about access to poor kids, but access to what? A quality education or a lifetime of debt, without a diploma or without a degree?

Senator ENZI. When we had our first meeting on this, I mentioned that we should not do it in a vacuum, that we should include all institutions of higher education—and not just use some selective statistics. So I'll leave you to go ahead and beat up on the for-profit schools.

The CHAIRMAN. Well, I just looked at that ad. By our estimation, the for-profit schools have spent $3.3 million on these ads, and guess where the money came from? It came from you, the taxpayers. Ninety percent of all their money comes from the taxpayers, paying for these ads.

In response to my friend, I say that, look, they talk about proprietary information. If you're getting over 90 percent of your money from the taxpayers, it seems to me the taxpayers have a right to know the data and the information about what's happening to those students, what their debt loads are, what is happening to them out there. That's why we're looking at this.

Now, I would say that this is not new. In 1991—and I spoke with him on the phone recently—Senator Sam Nunn had an investigation into this same thing. As a result of those investigations, rules and regulations were adopted and laws were passed to tighten down on this industry. That was 1991.

But what happened is those things that were enacted were taken off later on. I might point out that at that time in 1991 there were fewer students enrolled in the entire for-profit sector than there are enrolled today in just one university. In 1991, the University of Phoenix enrolled just over 7,000 students. Last year it had 475,000 students. So, it is a lot bigger, there is a lot more money, a lot more power, a lot more ads.

So I hardly think that this one Senator is beating up on the for-profit industry. We're just trying to get information about what's happening to $24 billion a year in taxpayers' dollars.

Well, to move right along, let me introduce each of our witnesses who are here today to testify. First we have Danielle Johnson, who is currently seeking her practical nursing diploma at Kaplan University, Cedar Rapids, IA, campus. She lives on the Meskwaki Settlement in Tama, IA, with her husband and children.

Next is Dr. Arnold Mitchem, founder and president of the Council for Opportunity in Education. COE is a national nonprofit organization established in 1981 and is dedicated to expanding college opportunities for low-income, first generation students and students with disabilities. The council works in conjunction with colleges, universities, and agencies that host Federal TRIO programs to help low-income students enter college and graduate.

After Dr. Mitchem, we'll hear from Kathleen Bittel, who is a career services adviser at Education Management Corporation and lives in Acme, PA. She's the proud mother of three children and has been employed by EDMC for almost 3 years, working 16 months as an assistant director of admissions for Argosy University and approximately a year and a half as a career services adviser for the Art Institute of Pittsburgh Online.

Finally, we welcome Lauren Asher, president of the Institute for College Access and Success, an independent nonprofit organization working to make higher education more available and affordable for people of all backgrounds. Ms. Asher is a nationally recognized expert on student loans and financial aid and co-founded the Project on Student Debt.

I thank you all for joining us here today. We will start first with Danielle Johnson and then we'll work down the line. All of your statements will be made a part of the record in their entirety. I read them all last evening. They're very good statements.

What I'd like is for each of you to summarize your statements in 5 minutes or so and sum up what it is you want our committee to know for the record.

Ms. Johnson, welcome. Again, I've read your testimony, and please just tell us in your own words what it is you want us to know.

STATEMENT OF DANIELLE JOHNSON, STUDENT, TAMA, IA

Ms. JOHNSON. Thank you. First of all, I would like to say that I am very grateful for the chance to tell my story.

My name is Danielle Johnson and I live on the Meskwaki Settlement in Tama, IA. This is where my husband and children have our home. My mother passed away when I was 8 years old, I never knew my father, and I have no siblings. After my mother's passing, my grandparents raised me. I graduated from an all-Native American high school in Flandreau, SD.

I ended up pregnant with my first daughter at the age of 21. I worked odd jobs until my child was about 3 years old and I decided it was time to get serious about life and moved away to Waterloo, IA, to go to college. I was a single mother living on welfare, trying to get through college, and taking out a lot of student loans, to go to hair school and community college.

I worked at a hair salon, but I had to stop after injuries from a car accident that made me unable to withstand long hours on my feet. This all sent me into a depression for quite some time. I felt all sorts of emotions as I had spent a lot of time, money, and effort on acquiring this schooling, only to find out that it was all just a waste.

I moved back to Tama with my grandmother in 2000 to try and start over. I decided to go back to school so that I could work at our newly built health facility on the settlement and help my community.

I enrolled in Kaplan University's practical nursing program in Cedar Rapids, IA, in February 2010 and currently am a student. I decided to choose Kaplan because they told me that they could accommodate me, as most of their students were those who hadn't been in school for a while, middle aged, family-oriented, and people who needed to work on the side. I also chose it because I was told that I could do my clinical training at the facility on the settlement. It's a 2-hour commute and I was concerned about the gas, time, and what it would take away from my responsibilities at home. But I was assured during the admissions process that the classroom work in Cedar Rapids would taper off and I would be able to finish my clinical work on the settlement. I was relieved that I could be close to home and continue taking care of my kids and grandmother while also earning my practical nursing diploma.

Into my second term, I found out there was no possible way that I was able to do my clinical work on the settlement. The director of nursing asked me who told me this and I told her how they had told me this during the admissions process. I was placed in Vinton, IA, which is also a 2-hour commute, and it was taking quite a toll on me.

I am discouraged and overwhelmed. If I knew that things were going to be this way I would never have tried to go to the school there. Not only that, but now I have added almost $10,000 more in student loans to what I already borrowed to go to hair school and community college. Right now I owe more than $26,000 and will continue to take on more debt as I continue in the program.

I now feel like I am at a place where I am stuck and have no real future. This has been a very disheartening experience and I hope by telling my story I can prevent it from happening to anyone else.

[The prepared statement of Ms. Johnson follows:]

PREPARED STATEMENT OF DANIELLE JOHNSON

First of all, I would like to say that I am very grateful for the chance to tell my story. My name is Danielle Johnson and I live on the Meskwaki Settlement in Tama, IA. This is where my husband and children have our home. This is also where I can be close to take care of my grandmother. My mother passed away when I was 8 years old, I never knew my father, and I have no siblings. After my mother's passing, my grandparents raised me. My grandfather died the summer after my 6th grade year, but my grandma continued to take care of me. I graduated from an all Native American high school in Flandreau, SD. This is where I chose to go because I felt more comfortable fitting in and also to be around peers my age.

After high school, I tried to go to college right away but really had no interest. I chose to work and play. I ended up pregnant with my first daughter at the age of 21. I continued working odd jobs but when my child was about 3 years old, I decided it was time to get serious about life and moved away to Waterloo, IA to go to college. I was a single mother, living on welfare, trying to get through college, and taking a lot of student loans out. I had been cutting hair ever since I was in junior high for the fun of it, so I thought that it would be a smart idea to get licensed in cosmetology as a source of income. I believed that once I obtained this license, I could do hair on the side while I went back to the community college. It wasn't until after I completed hair school and began working at a salon, that I began to develop pain in my neck and back. After numerous doctor visits, I learned that I could not physically withstand long hours on my feet and that this all stemmed from a 1995 car accident that I was involved in. A car had rear ended mine going full speed on a highway that year but I didn't begin to experience the results until after trying to work full-time. This all sent me into a depression for quite some time. I felt all sorts of emotions, as I had spent a lot of time, money and effort on acquiring this schooling only to find out that it seemed all just a waste. After enough of sitting in my pity, I moved back to Tama to try and start over. I moved in with my grandmother in 2000 and found a job working for the tribe. I worked as a personnel assistant for a couple years before I joined the Natural Resources Department as a Soil Technician for another year. Somewhere in this timeframe, I met and married my husband and had my second daughter. He had four from a previous marriage, making us a blended family. We decided that I would stay home with our youngest and did that until she was old enough for school, then went back to work in order to make ends meet.

Over the years, I have continued to care for my grandmother as she has been losing her independence with age. She has been unable to drive for awhile so I've been responsible for getting her to the grocery store, doctor appointments, and any other places that she needs to get to. One day I took her to the Meskwaki Senior Center, where they were having a birthday luncheon. The director from the health clinic was there to speak about the newly built facility that was getting up and running on the settlement. He was describing the different kinds of services they wanted to incorporate there and how they were looking for people from the community to become involved as they wanted to become self-sufficient. One of the things that I thought was a great idea was that they wanted to get a nursing home going. Being that my grandmother is getting up in the years, I wanted to see this happen for her as well as the other elders in our tribe. Throughout the years, we have had to hire outside help and even send out our elderly to nursing homes where they are not as familiar with others as they are with those they've been in the community with. This way at least they could stay with each other and continue to share their common culture, heritage and language. It was perfect and I wanted to be a part of it.

This is when I first began to form an interest in taking action on what I was seeing. I believe that I am good with people, genuinely care for others, and am capable of building up our tribe. There were some clinic workers there so I voiced my interests with them and they told me that they had new x-ray equipment there but no one to run it. After I got home that evening, I went online and began searching for any local schools that could offer x-ray technician training. There was a place about an hour away in Cedar Rapids, IA called Kaplan University. They offered a Medical Assisting (MA) Program and the ad read that if I wanted more information about this then I was to input my contact information. I did just that and the next morning the recruiter called me to come in. I explained what my current situation was and what I was looking for. He told me that their school could accommodate me as most of their students were those who hadn't been in school for awhile, middle-aged, family-oriented, and people who needed to work on the side. I went in and met with the recruiter shortly thereafter and found out that the MA program would mean that I would probably end up in an office setting, which is not what I was wanting. I came home and talked to my cousin who had some medical background, and she told me that I should try to go for a nursing career. She said that they have more person to person contact, more income, and that I could still get x-ray training.

I called the recruiter back and he told me to come back in and meet with the guy that knew more about the nursing program to see if that was right for me. I went in and met with the assistant director of admissions and he told me that these things were indeed true. I explained to him how we had this newly built facility on our settlement and how I wanted to help my community. He told me that in the beginning of the program I would have to be there and go back and forth more because of the classroom instructing. He said that eventually the classroom setting would taper off and that I would have to do more clinical training. I told him that I was concerned about the gas, time, and what it would take away from my responsibilities at home. The recruiter told me that I could do some of my clinical training there at our facility in Tama. He explained that I would just be in Cedar Rapids mostly in the beginning and then be home more towards the end of my program.

So I went home and set up an appointment with our health director and spoke to him about my ideas. He told me that it was a very demanding program and I told him about how they were going to let me do some of my training there at home. Our health director thought that was a great idea and was even going to talk to the doctor there to let him know to be expecting me as a student somewhere down the road. As I weighed it all out, it seemed worth all the sacrifice. I kept thinking, I just need to keep my nose to the grindstone and it will eventually get easier. The recruiter had even told me that doing my training at the clinic on the settlement would help the transition from me being a student there to being an actual employee. I thought that everybody from the school to the clinic at home was on board and had my goals in sight. I enrolled and so far, I have taken out $9,642.25 in student loans to attend Kaplan University. This is on top of the $16,640 I still owe for hair school and community college.

The first term was indeed very demanding as I had 19 credits hours to complete and pass on top of the daily 2-hour commute. It seemed like I hardly ever had time to study. I thought that it was strange that I failed my mid-term and final exams in my Anatomy & Physiology class but had yet somehow passed. I was puzzled but yet relieved.

It was at the end of my first term that we received our schedules for 2d-term clinical. They were placing me in Vinton, IA. After studying it on the map, I figured it to be about the same distance I was already driving. I let it go for awhile thinking that this was just all part of getting through the first part of my program. Just out of curiosity, I decided that I would go and talk with the director of nursing to see just when exactly I would be able to begin doing my training at home. This is when she broke the news to me that this would not be at all possible. She explained that they already had clinical set up with hospitals in the Cedar Rapids area. She asked me who told me this and I told her how they told me this in the admissions process. She apologized for him and tried to explain how in order for them to do this would mean that she would have to set up an instructor along with a group of girls to go to Tama and that no one would want to do this, nor had they ever done this in the past. As I've progressed through the program and from talking with others, I have found out that this is most common, if not always, protocol with nursing school; you have to have your training in a hospital setting. Being that I had no medical experience before enrolling, I had no way of knowing that this is the way things worked and left me wondering why the director of admissions, whom was also in charge of enrolling students into the nursing program, had failed to share this kind of information with me?

I continued talking with other students, especially those that were further along in the program and began to get a feel for what I was in for. I found out that the time and demands only got more intense and would require more of me being away from home. By 4th term I would have to go back and forth 6 out of 7 days a week, and that the classes were going to get more demanding leaving me with less time to study. I couldn't see how I was going to balance it all. I decided I would just cut my losses and try to go to school at Marshalltown Community College (MCC) which is only 15 minutes away from home. The reason I didn't enroll here in the first place was because I was told that it would take longer because of pre-requisites and that Kaplan could get me in and out at a faster pace. I went ahead and got accepted into the fall program at MCC but did not have my official transcripts from Kaplan. I requested that Kaplan transfer them over, but they told me that because it showed that I still owe them that they could not send them for me.

Hindsight, I see how everything happens at too fast of a pace. Our very first day, during orientation, we were trained in CPR within a matter of hours. I am now certified but cannot recall how to do anything and can see how I do not feel confident at all if it came down to trying to save a life. I now feel like I am at a place where I am stuck and have no real future with what I am being taught, or being kept from. I feel like I am at a place where I don't know how I can continue. I want to but I don't know how. This has been a very disheartening experience and I hope by telling my story I can prevent it from happening to anyone else.

The CHAIRMAN. Ms. Johnson, thank you very much for a very poignant statement. Thanks for being here and coming all the way from Iowa for this. I appreciate it very much.

Dr. Mitchem, welcome to the committee and please proceed.

STATEMENT OF ARNOLD MITCHEM, Ph.D., PRESIDENT, COUNCIL FOR OPPORTUNITY IN EDUCATION

Mr. MITCHEM. Chairman Harkin and members of the Health, Education, Labor, and Pensions Committee, I deeply appreciate the opportunity to testify this morning. My name is Arnold Mitchem and I'm the president of the Council for Opportunity in Education, an organization representing over a thousand colleges and over 5,000 administrators, counselors, and teachers who work every day to provide low-income and first-generation students a realistic chance to enter and succeed in college.

In developing my testimony, I spoke with many of these educators and I also drew upon my own experience of nearly 40 years of working directly with low-income young people and adults. Throughout these 40 years, I've tried to govern my interactions with students by a simple maxim: Work so that other people's children have the same range of options that my own children had and now my grandchildren have. I believe this view is consistent with President Johnson's closing remarks as he signed the Higher Education Act 45 years ago, parenthetically, paraphrasing: Tell your children and grandchildren that the doors of opportunity are now open.

At the time he was advancing an equal educational opportunity policy, a policy that envisioned access to and the inclusion of all segments of the American family in all categories of colleges and universities.

Mr. Chairman, I and many others are troubled today by the over-concentration of low-income Americans in the for-profit sector institutions. This racial, ethnic, and class stratification is troubling for two reasons. First, there is little evidence that this stratification is a result of the informed choice of students or their families. Second, in far too many instances the enrollment in a program in the for-profit sector does not appear to provide upward mobility. Let me briefly elaborate on each of these points.

What do we know about the circumstances surrounding students' decisions to attend for-profit institutions? First, we know that in most instances the low-income student and his or her family comes to the table with limited information about college. We all know that discussions about the relative ranking of colleges, the sticker price of college as opposed to the actual price, transferability of credits, or how financial aid works are confusing even to families with resources. Families without college experience most often do not even know the right questions to ask.

When low-income, first-generation students enter the college marketplace, they think they are dealing with counselors, not sales people. So on one side of the table we have a poorly informed consumer and on the other side of the table we have a business that is marketing its products using sophisticated state-of-the-art marketing techniques.

Over and over again, we were told stories of students being subjected to high-pressure marketing to enroll in for-profit institutions. Some would argue that these situations are rare, that there are only a few bad apples in the for-profit sector who engage in marketing tactics. Mr. Chairman, I believe this is a very fair point. But while the most egregious of the behaviors uncovered by the GAO or your committee are limited, the basic inequity in the relationship between the low-income consumer and the industry is inherent. A sophisticated business with a high-cost product it wants to sell and a poorly informed consumer is a cocktail for abuse.

TRIO educators over and over again pointed to students choosing high-cost for-profit programs and taking out large loans to do so when a comparable program was available to the same student at a much lower cost, often, often, within reasonable proximity to their home.

As I said earlier, Mr. Chairman, our second major concern about the current regulations governing low-income students and for-profit institutions is that in too many instances a student's enrollment is not a real opportunity, but instead results in a situation where the individual is worse off than they were before they enrolled.

There are a variety of scenarios where such is the case. No. 1, the school holds out the promise of high-paying jobs in a field, but either no such jobs exist or they require education or experience beyond that provided in the program in which the student was enrolled. No. 2, the student's enrolled in a program that requires skills beyond those they bring to college and he or she drops out with no degree or certificate, just a large loan to pay back. No. 3, the student enrolls in a program thinking that credits are transferable and they aren't, so he or she has to pay to get his ultimate academic goal.

A final situation where enrollment in a high-cost for-profit program does not lead to a better life is when the student's education does not provide a real and significant boost in earnings. Paying back student loans over a long period sometimes makes it impossible, impossible, for the individual to make the other financial decisions that will create a better life for his family—buying a house, saving for retirement, or for one's children.

Mr. Chairman, my final point is this. Earlier this week, I was able to participate in NBC's Education Summit held in New York City. Participants from all walks of life—business, education, local and State politics—reaffirmed a shared belief that providing the next generation of Americans a high-quality education is not simply a matter of American competitiveness; it is in fact now an issue of national security. General Powell was very, very clear on that point.

A stratified system of postsecondary education, where individuals with limited information and limited means are over-concentrated in one sector, is, I am convinced, not at all good for our country. So I applaud the committee's work and understanding in addressing these serious and complex concerns.

Thank you.

[The prepared statement of Mr. Mitchem follows:]

PREPARED STATEMENT OF ARNOLD MITCHEM, PH.D.

Chairman Harkin, Ranking Member Enzi and members of the Health, Education, Labor, and Pensions Committee, I deeply appreciate the opportunity to testify before you today. While I believe that the question asked in the title of this hearing is an extremely critical one with respect to the Federal investment in student aid, in my view, it is a question that must be parsed and expanded. If the committee is simply questioning whether the Federal Government is getting an adequate return on aid dollars used by students to attend for-profit schools, I would probably not be the best witness to have been invited.

However, by asking the question of whether students are succeeding, the committee, in fact, has raised some deeper, related issues. The most central one—and the one I believe I am most qualified to speak on is this: *Do the current laws and regulations governing Federal Student Assistance, particularly student loans, sufficiently protect low-income students vis-à-vis for-profit schools*? This leads to a more basic question that lies at the heart of this congressional inquiry: *Are low-income students adequately protected from assuming inappropriate loan debt to attend for-profit schools*?

And my answer to these two questions is a resounding **NO.**

I began my career in higher education over 40 years ago when I was appointed the first director of the Educational Opportunity Program for low-income and minority students at Marquette University. My experience guiding underrepresented students through college was a key motivator during my years at the university. Currently, the Educational Opportunity Program and thousands of other TRIO programs continue to steer low-income, first-generation students towards the most appropriate means of pursuing and financing their postsecondary educations. Yet, I appear before the committee today on behalf of the millions of other low-income students who have not had the benefit of receiving objective information about colleges. It is these students that we must seek to protect not only from unscrupulous and abusive practices within the for-profit sector, but also from the inequities inherent in the relationship between low-income students and for-profit institutions.

As you may know, the organization that I direct, the Council for Opportunity in Education (or "COE"), represents teachers, counselors and administrators who work with low-income and first-generation students. Before COE issued its statement on for-profits and gainful employment, I consulted with many of these individuals, particularly those working in TRIO's Educational Opportunity Centers, Veterans Upward Bound and Talent Search programs, to gain insight into their perspectives on for-profit institutions. In particular, I wanted to find out from them:

(1) Were they often able to recommend a for-profit program as the best fit for their students?

(2) If yes, when was there a particularly good fit? If no, why do they seldom recommend for-profit programs?

(3) How often did they encounter individuals whom they felt had previously been treated inappropriately by for-profit institutions?

Almost without exception, each of the answers I received indicated that it was rare that they found for-profit programs to be the best fit for the students they counseled. Two reasons emerged. First, almost always, they could identify less expensive, publicly supported alternatives in the same area that would not require the student to assume as high a loan burden. Second, in very many instances, TRIO counselors found that many for-profit admissions counselors were not fully forthcoming and did not distinguish their programs from those offered at other public and independent colleges.

Also, virtually all of these TRIO counselors could identify individuals who had been, in their view, harmed by enrolling in a for-profit program. COE is submitting a number of such examples along with my written testimony.

Many TRIO staff pointed to the marketing techniques of the for-profit institutions as the root cause of this problem. As a result of current Federal policy, the playing field for low-income students simply is not level. Unwittingly, we have created an environment in which the for-profit institutions have very good reason (and an exceptional level of resources) to heavily recruit low-income students while many publically supported and independent colleges have neither the financial incentives nor the resources to engage in the same state-of-the-art, well-targeted, high-pressure marketing. Now the GAO, and TRIO staff, can point to a number of instances that I would say go beyond "state-of-the-art, well-targeted marketing." But, I would urge this committee to recognize that even in the absence of unscrupulous or simply greedy behaviors on the part of institutions or individuals, currently there simply are not sufficient safeguards in place to protect low-income students in their interactions with for-profit institutions.

These institutions hold up the promise of a better life—in fact, the promise of the American Dream—to individuals of modest means. In the face of such glossy advertisements and tenacious recruiting tactics, it is, in my view, unrealistic to assume that a majority of first-generation and low-income students—who are tackling higher education on their own—will be able to step back, assemble a team of wise and experienced advisors, and ultimately make the best decisions.

A concern repeatedly raised by TRIO counselors was the difficulties many low-income individuals had distinguishing between the value of a particular program and the value of "college." Families where parents are college graduates might find this hard to understand. But many low-income individuals and families have difficulty distinguishing between a for-profit education and a traditional college experience when both can put "college" in their names and both are "endorsed" by the Federal Government—which provides financing to facilitate their attendance.

A story of a former serviceman served by one of TRIO's Veterans Upward Bound programs comes to mind. This individual completed 54 credits of a 60-credit associate's degree program at a for-profit "college" before being deployed to Iraq. When he returned home and attempted to enroll in a university, he found that none of those credits were transferable, though he had been assured that they would transfer. Often TRIO-eligible students begin their postsecondary careers at for-profit institutions, assuming that it is a building block in their long-term educational plans. But, too often, their enrollment at these institutions hinders those plans. Debt to the for-profit institution, which prevents transfer of credit; confusion about transferability; and default on student loans after enrollment at a high-cost for-profit institution can each serve to create a dead-end for a student's aspirations.

Now, when advocates like me raise concerns about for-profit institutions, a distinct line of counterarguments emerge. The first and most pronounced is that for-profits are the only institutions providing access to postsecondary education for many low-income youth and adults. This argument is often raised by individuals from minority communities, like me, who are deeply sensitive to issues of discrimination and access. My problem with this argument is that I believe it is based on inaccurate information. In fact, many public and independent colleges are offering comparable programs to low-income students at a much lower cost than what is being provided at for-profit institutions. Low-income students are simply unaware of the entire range of educational opportunities available to them. At this juncture, I would like to take a brief moment to commend this committee, which has worked diligently to address this issue through the reauthorization of Talent Search, Educational Opportunity Centers and other postsecondary information programs governed by the Higher Education Act. Your emphasis on ensuring financial literacy in these programs is particularly timely. Similarly, efforts made to provide reasonable, income-based repayment plans for student borrowers are also key.

I think all of us in this room agree that access is critical, but access to what? Mountains of debt? Personal and career success must be the answer to the access question. What we are witnessing at COE is that many low-income and first-generation students are not achieving success after participating in for-profit programs. Instead, we are seeing students who emerge with considerable loan burdens and without the ability to obtain meaningful employment or to transfer the credits earned at for-profit institutions to accredited, publically supported or independent institutions.

Similarly, many who oppose greater controls on for-profit institutions argue simply that freedom in the marketplace is a core value of American institutions, and that to interfere with the right of for-profit institutions to make a profit is inappropriate. To go that route, however, would lead us down a road that too closely parallels the one that played a major role in the recent recession. As we saw in the mortgage and banking industries, lending directed at low-income borrowers that is not closely monitored will, almost without exception, lead to abuse. My greatest fear is that the presence of such abuses in the educational arena will—in the foreseeable future—undermine public support for the entire range of Federal financial assistance programs.

I began this testimony by noting that I had been involved in issues and programs designed to increase college opportunity for low-income youth and adults for over 40 years. Throughout these four decades, I have tried to govern my interactions with students by a simple maxim: work so that other people's children have the same range of options that my own children, and now grandchildren, have available to them. Like most African-Americans and Hispanic-Americans, I am extremely wary of a two-tiered system of education whereby one set of institutions is available to individuals with information, guidance and means, and another set is provided for those with less information, little guidance and lower means.

If each of the institutions being examined by this committee were targeting students from a range of economic backgrounds, the necessity of your work would be lessened. But my experience is that they are not. Many of these institutions purposely target low-income students. I believe that there is a moral imperative and a responsibility to ensure that all students, regardless of background, race or income level, are fairly represented in higher education. These students can only look to you for protection, and I am deeply honored, Mr. Chairman, that you have asked the Council for Opportunity in Education to join with you in this important work.

The CHAIRMAN. Dr. Mitchem, thank you for a very, very profound statement and for all of the work that you've done in the past, especially in the TRIO programs, and I'll cover that with you in my questioning period.

Now, Ms. Bittel, welcome again to the committee and please proceed.

STATEMENT OF KATHLEEN A. BITTEL, ACME, PA

Ms. BITTEL. Mr. Chairman and members of the committee, thank you for the opportunity to testify before you.

I come here today to ask you to listen to my one little voice and hear the chorus of voices behind me of those whose lives are being ruined by insurmountable student debt. I don't have a lot of money to hire people to fly to Washington and shout my message into the streets. In fact, I stand to lose everything by coming here to see you today. Yet, I am willing to risk all that I have to stop the unethical funneling of tax dollars through low-income individuals to further fill the coffers of mega-rich corporations.

As you've seen in previous testimony, high-pressure sales tactics are being used to recruit individuals targeted from the lower income sector of our population as they are eligible for the most amount of aid. Many of the programs offered are in highly saturated job markets within the passion fields, making the achievement of gainful employment utilizing their degree different, if not impossible to achieve.

I assert that the most egregious harm perpetrated upon these students is the lack of support they receive once they do graduate the program—if they do graduate their programs. As I reported in my testimony, there are many tricks and sleight-of-hand techniques used to create outstanding but unrealistic job placement statistics. But that does not mean that every employee of Career Services is dishonest. Very, very much the contrary. Many of my co-workers are honest individuals doing everything they can to help as many graduates as they can in the very limited time to do so.

I see a systemic problem here when there are only nine employees servicing the students that are being recruited by an admissions workforce of almost 1,600. Career Services employees are being paid nearly a third of what the top performers in the admissions department receive. I believe these facts speak volumes as to where the real priorities lie within these companies.

If it truly were the students' success that was of primary importance to these for-profit institutions, then why not spend the millions of dollars being spent on trying to convince America that they are wholesome and good on finding jobs for their graduates and providing their quality educations?

I believe you need to take a good hard look at these so-called employment statistics and question just how they are being derived. Additionally, the Department of Education needs to be given the authority to monitor these institutions, rather than the accrediting bodies whose very existence depends upon the schools they're supposed to be policing.

Across-the-board criteria for just what constitutes a job placement needs to be developed and enforced so that these commonplace tricks to justify employment can no longer exist.

Thank you so very much for the opportunity to speak before this honorable committee today. I would be very happy to answer any and all of your questions. But since I have 1 minute and 33 seconds left, I would like to say——

The CHAIRMAN. You can have a little more than that if you want.

Ms. BITTEL [continuing]. Thank you so very much, Senator Harkin, for being the champion of so many people who cannot speak for themselves or are afraid to do what I am doing here today.

I am appalled that the Republicans have left the room.

The CHAIRMAN. We've got one here.

Ms. JOHNSON. I'm sorry, sir. I'm sorry, sir.

Senator BURR. Go ahead, go right ahead.

Ms. JOHNSON. I'm sorry. Thank you for being here.

But I would like to make note that I expected to speak with those gentlemen. I expected to speak with a full panel, and I expected my voice to be heard. It tells me, OK, thank you. There is one person in the room who is here to represent them, but where are the others?

They're accusing you of having a one-sided issue, but yet the cochairman has left. I'm sorry, I just find that offensive. That's totally off the cuff.

[The prepared statement of Ms. Bittel follows:]

PREPARED STATEMENT OF KATHLEEN A. BITTEL

Mr. Chairman and members of the committee, thank you for the opportunity to testify before you today. I come here today to talk about all those whose lives have been ruined by insurmountable student loan debt.

I began working at Education Management Corporation after being a stay-at-home mom for 14 years. Those years were the happiest time of my life and I am thankful that I was afforded a luxury that many families cannot afford. But that happy time came to an end 3 days after our third child was born when we discovered that my husband had testicular cancer. A highly curable cancer, he had surgery and radiation and was pronounced "cured" ... released from follow up treatment. The cancer came back with a vengeance 5½ years later. It was in that moment I realized the folly of not pursuing higher education. I was a mom, with no education and no work experience ... how was I going to support my children when he died? I immediately enrolled at the University of Pittsburgh in their psychology program. My goal was to counsel troubled children. It was also to complete the degree before he died but that was not meant to be.

Shortly after I began my studies, one of my township supervisors appeared at my back door and stated that they had become aware of my situation. Because both my husband and I had been such active volunteers, doing much good in the community, they wondered if perhaps I would like them to help me get a job within our county government. I started in the secretarial pool, and was subsequently promoted through seven positions culminating in the dual positions of Child Support Enforcement Officer specializing in Interstate cases and Court Officer where I helped to prosecute non-compliant cases by presenting evidence to the presiding judge in court.

I did not pro-actively seek employment with Education Management Corporation. EDMC contacted me by phone, stating that they had found my resume on Monster.com and wanted to interview me for the assistant director of admissions of Argosy University opening.

I have worked at Education Management Corporation for almost the past 3 years. For the first 16 months I worked in the admissions department at Argosy University, which is owned by EDMC. The department was a high-pressure and unsatisfying work environment. We were constantly pressured to deliver a minimum of two applications per week. New "leads" were to be called three times a day for at least a week, then you could drop back to two, then one as the month progressed. Most of these leads were also being sold to the other online schools, so these poor people were inundated with phone calls mere minutes following their oftentimes unwittingly submitted information. These calls would continue to each of them for months.

I did not feel that I was helping students to achieve their goals beyond their enrollment. Assistant Directors of Admissions (ADAs) were responsible only to keep the student enrolled and attending the classes for 1 week. Subsequent to that first week, we were discouraged from "wasting time" in speaking with anyone already enrolled in the program. Out of the 96 students I enrolled, only 46 continued to be taking classes when I checked on their status 16 months later. Additionally, more than half of the students still enrolled were on Academic Probation. This distressed me.

The more I spoke up against what I felt to be inappropriate direction of the department, the lower I fell in the "lead stream," making the meeting of my quota extremely difficult to do. I worked many overtime hours to reach my goals. I knew if I was to stay with the company then I needed to find a healthier work environment.

I found my way into the Career Services Department, working with the Art Institute brand. Although previously earning $55,000, I took a pay cut to $36,000 because I was honestly seeking a way in which I could give back to the students I had talked into the program. I was also promised an additional $3,000 per quarter as a bonus for meeting my quota.

At first, I found it very rewarding to have the opportunity to get to know and work with the industrious graduates of the Art Institutes who were actively seeking a better life. I felt I could provide valuable assistance in helping students find good jobs in a poor job market.

But that feeling did not last long. I realized quickly it was all about hitting quotas instead of really helping students find meaningful work. I quickly came to see that career service department's primary role is to lend credibility to the brands of EDMC by allowing them to claim such large numbers of successful graduates working in their fields. But these are not realistic numbers that are being reported.

It is important to note, that although there are approximately 1,600 admissions recruiters at EDMC, there are only 9 career service advisors to accommodate the graduates of all of their online programs. This number was broken down into five advisors for the Art Institute Online graduates, two advisors for the Argosy University Online graduates, and two advisors for the South University Online graduates. I worked with the Art Institute brand and was responsible for 50–60 graduates in each class. We were responsible to work three classes simultaneously. We have only 6 months to work with each class and the pressure to find gainful employment for so many in such a short period of time was overwhelming.

Early on in my employment with career services, a co-worker showed me how to manipulate information received from a student, to ensure that the student could be listed as "gainfully employed" for the purposes of the company's statistics. This same co-worker later came to me exhibiting two documents: one was a signed Employment Verification form from the graduate stating they were working in their field earning $8,000 a year, the other a printout from salary.com estimating that the average salary in that field and in their zip code would be $25,000, which would meet the salary threshold of $10,500 to justify marking them as employed in their field. "Which one do you think I'm going to turn in?" they laughed as they tossed the graduate's document in the trash and entered the salary.com data into the student's file. These kinds of actions were not discouraged by managers. It is important to note that I immediately reported these actions to the supervisor I had at the time, who promised to discuss this with the head of the department. No disciplinary action was taken.

Much to the contrary, this same co-worker who changed the student's salary data received EDMC's "North Star Award" shortly thereafter. The intent of the award is to exhibit to other employees that "this was a star to follow." Although the policy is not written down, the message of the company giving this award was abundantly clear. Employees who hit their numbers will be rewarded regardless of whether graduates actually succeed, or whether the information entered truly represents the graduates' circumstance.

Refusing to cheat my students by withholding my help, I struggled to reach the increasingly impossible quotas by doing it the honest way. But as the job market grew dim, it became impossible to honestly reach the 85.9 percent employment quota. When I missed my quota by 1⁄10th of 1 percent, the company docked $500 from my "bonus" and I was told that I could lose my job if I failed to meet October's goal. That "verbal warning" was subsequently put into writing and delivered to me during the next meeting.

I was constantly reminded that my numbers were not as high as they wanted them to be. The situation culminated when I was called into a conference room with my supervisor as well as the head of the department. The head of the department interrogated me, asking the same questions over and over. "Why were my numbers the lowest on the team, and why did I think that everyone else had the numbers he wanted and not me?" He demanded that I provide him with a plan on how I intended to meet his number, reminding me that my job was in jeopardy should I fail. He decided that he was going to impose a new weekly quota on me to place two of my graduates in field-related jobs, it was specified that no waiver was permitted, it must be field-related employment. Given that only 3 out of the 11 graduates I was working with were actively looking for employment, I believed it to be impossible to achieve this goal without inventing their employment.

In some instances we were able to essentially eliminate graduates from the employment statistics if we could prove they had extenuating circumstances that prevented them from seeking field-related employment. A waiver could be used for:

- Military—active duty military or the spouse of a soldier.
- Medical Condition—primary caregiver or suffering from a medical condition or disability preventing them from work.
- Established Professional—someone who had worked in an unrelated field for at least 6 months earning a minimum of 10 percent more than the average starting salary in their degree program.
- Stay-at-Home Parent—one not seeking employment, choosing to raise their children instead.
- Education—one who was continuing their education and choosing not to seek employment at that time.

In other words, if a graduate was not actively seeking employment due to one of the above listed situations, they were removed from the total number of graduates prior to calculating the number of those gainfully employed. The established professional, by signing this form, was essentially acknowledging that they could not leave their current employment due to the "financial hardship" it would cause them, because a job in their degree field would pay them far less than what they were already earning in the field they had hoped to leave by obtaining the education.

In addition to these waivers, there were other problems with the statistics that EDMC reported. I was repeatedly pressured to call graduates working in unrelated fields and review with them the courses they had taken while at the Art Institute to find obscure details of their current jobs where it could be considered that they were indeed "using their skills." If one could convince them that they were using these "skills" at least 25 percent of the time in their current job, and to sign the employment form stating so, then their job could be counted as field-related employment. This was rife with abuse. Employees were expected to convince graduates that skills they used in jobs such as working as waiters, payroll clerks, retail sales, and gas station attendants were actually related to their course of study in areas like graphic design and residential planning.

Also to be counted as employed for EDMC's statistics, a graduate only needs to be working at their job for merely 1 day. There was no company policy stating that a graduate had to be currently employed in order for their job to be counted among the statistics. If they had worked in their field for 1 day within the time period between graduation and the 6-month deadline, it was routinely included in the statistics as gainful employment.

Weekly meetings were held with the team including all nine advisors and two supervisors where we discussed one another's problem graduates. By problem graduates I mean those who were either non-responsive, non-cooperative, lived in remote locations with minimal opportunity available to them, or unemployed with no viable prospects in sight. Much brainstorming was done in order to come up with other angles that we could employ to make them fit into the employment category before the deadline. Many of the examples that I have previously listed are the result of these brainstorming meetings.

Reaching the breaking point of my conscience due to the constant pressure to do things I felt to be morally unethical, I requested, and was granted, a leave of absence on August 23, 2010. I requested a meeting with the director of Human Resources and "blew the whistle" on all of the practices previously stated in this report. I verbally provided this information to the director of Human Resources and answered her many questions, allowing her all the time she needed to take what appeared to be copious notes. The only information I did not provide to her was a hard copy of my notes, and I did not name names. I was assured that the matter would be taken seriously and that there would be an investigation.

The Art Institute is expensive, ranging from $21,000 for a diploma to $84,000 for a bachelors degree. This does not include the cost of books and expensive equipment such as computers, cameras, and software programs. I know that some of this required software can cost as much as $1,900. The school also charges a $100 per class in "lab fee" which is not included in tuition. This adds an additional $1,500 to the cost of a diploma, $3,000 to an associates and $6,000 to the bachelors. The total cost for this education may be more than any of these students will be able to afford to invest in a home because all of their future dollars will be going to repay this enormous debt and interest.

I believe that the EDMC schools, including the Art Institute, do offer some great courses. There are many excellent teachers, especially those who teach in the ground facilities. For online courses, because an 11-week curriculum is squeezed into 5½ weeks, it can be a struggle to learn. Students must mostly learn on their own, and there is often insufficient support provided by the school. If the student does not have the prior education, background, and abilities needed to succeed then they will either drop out before completion, or complete with low-level skills that will never find them "field-related" employment earning enough to repay their debt, much less live meaningful lives.

I believe this to be a systemic problem, and not one found only in this school system. More focus should be put into researching and developing programs in the sectors where jobs will be needed in the future, and training should be being developed in those areas and not the "easy sell passion fields."

Thank you for this opportunity to present this testimony to you today.

The CHAIRMAN. Well, Ms. Bittel, I will say this, that the Senate did adjourn yesterday and a lot of people have gotten on planes and are headed back to their respective States. I did not anticipate that when I set up this hearing today. I figured we were going to be in all next week, too. So I will excuse Senators on both sides of the aisle who were anxious to get back to their States after the adjournment last evening.

I don't know what the situation is with Senator Enzi. He may be on his way back to Wyoming. I don't know, but I wouldn't doubt that that is the case for many of them. So I just want to make that very clear.

And had we been in session and going into next week, we probably would have had a lot more people here.

Senator FRANKEN. Can we do a bed check and see who's in town?

[Laughter.]

Ms. BITTEL. You understand, you understand my disappointment.

The CHAIRMAN. I understand that.

Ms. BITTEL. I believe that this is an issue that they would be paying attention to.

The CHAIRMAN. And I will also talk about your situation when it comes my time to question.

Ms. BITTEL. Thank you.

The CHAIRMAN. But I did want to say that also I have a letter here from the president of EDMC regarding their efforts to ensure they collect accurate placement data, and I ask that it also be included in the record, in fairness to EDMC.

[The material referred to may be found in Additional Material.]

Now, Ms. Asher, Lauren Asher, president of the Institute for College Access and Success. Welcome and please proceed.

STATEMENT OF LAUREN ASHER, PRESIDENT, THE INSTITUTE FOR COLLEGE ACCESS AND SUCCESS, OAKLAND, CA

Ms. ASHER. Thank you, Chairman Harkin and members of the committee, for the opportunity to testify today on the Federal investment and student outcomes of for-profit colleges.

At the Institute for College Access and Success, our mission is to improve both college opportunity and outcomes so that more Americans complete meaningful credentials and do so without burdensome debt. Our Project on Student Debt studies trends in loan borrowing and repayment and our analyses have revealed a really disturbing pattern. Compared to other types of schools, for-profit colleges have the highest share of students with debt, the highest debt loads for degrees, and the worst Federal student loan default rates.

Student debt, as you've noted, is pervasive at for-profit colleges. At least 95 percent of students at both 2- and 4-year for-profit colleges have loans. This is especially striking when you consider that just about 15 percent of students at community colleges have loans and less than half of students at public 4-year colleges have loans.

It's not just because of the type of students enrolled at for-profit colleges. Low-income students and students from underrepresented minorities are much more likely to borrow and to borrow more at a for-profit college. Low-income African-American and Hispanic undergraduates are about three times more likely to borrow Federal student loans and four times more likely to borrow risky private loans than their counterparts at other colleges.

Students who complete degrees at for-profit colleges are also much more likely to have loans and to have more debt than students at other schools. At for-profit colleges, 98 percent of those who graduate with an associate degree have loans and their average debt is nearly $20,000. A majority of those who graduate from community colleges, in contrast, have no debt. Those who do borrow, borrow much less, on average around $10,000.

These numbers point to the fact that students are generally at much greater risk of ending up with unmanageable debt if they go to a for-profit school. More than 40 percent of students at for-profit schools have private student loans and that further compounds the risk. Private loans are one of the riskiest ways to pay for college. They typically have variable interest rates with no cap and they're nearly impossible to discharge in bankruptcy. They also lack the affordable repayment options and consumer protections that come with all Federal student loans and help students repay those loans if they hit hard times.

If you go to a community college and don't complete a program, you'll probably have very little debt, if any, to pay off and it will be Federal loans. But if you don't or can't finish a program at a for-profit school, you'll almost certainly have loans and there is a good chance that you'll have both Federal and private loans.

Even if you complete a program at a for-profit school, as some of my fellow panelists have noted, there is a good chance that you might not be able to earn enough to pay back what you've borrowed. Ending up with a worthless or grossly overpriced credential, especially if you borrowed to pay for it, can be worse than no credential at all.

As a recent Government Accountability Office investigation revealed, students are all too often misled, pressured, and outright lied to so they'll enroll in for-profit schools and take out loans. The GAO found that some for-profit colleges obscure the true cost of attendance and how much borrowing would be required, grossly exaggerated likely earnings and job prospects, and one even claimed that Federal loans don't have to be repaid. Others use aggressive sales tactics to pressure students to sign contracts before they could see a financial aid package.

We frequently hear from students whose colleges urged them to take on private loans as well as Federal loans without making clear that there was any difference.

Several large for-profit colleges make private loans from their own funds to their own students, knowing that the majority will not be able to repay. Corinthian Colleges, for instance, told investors it will write off nearly 60 percent of the $270 million in loans it made to its own students in the last 2 fiscal years.

It should not be surprising, then, that students in the for-profit sector face the highest risk of default on Federal student loans. The average 2-year default rate at for-profit colleges is nearly double the average rate at public colleges and triple the rate at private nonprofit colleges. The Career College Association's own study concludes that, even after controlling for demographics and graduation rates, students at for-profit colleges are twice as likely to default as their counterparts at other schools.

Schools clearly have an impact on whether and when students default. For-profit colleges routinely tell investors that they can lower their default rates and many for-profit schools have kept Federal student loan default rates down in the 2-year window that the Department of Education uses to determine their access to Federal student aid. However, many seem to lose interest in their students' outcomes as soon as that window is over.

Unfortunately and predictably, weakened regulation and reduced oversight over the past decade, along with a large potential revenue stream of Federal dollars, as you described this morning, have increased the incentives for less scrupulous for-profit colleges to game the system. This is not the first time such problems have come to light, but the risks to students and taxpayers are much larger in scale and cost than ever before.

In the early 1990s, the last time Congress passed major reforms to address abuses at for-profit colleges, the industry was a fraction of its current size. In 1991, fewer students enrolled in the entire for-profit sector than now enroll in the University of Phoenix alone.

I thank the committee for shining a spotlight on this important issue for both students and taxpayers across the Nation and I look forward to answering your questions.

[The prepared statement of Ms. Asher follows:]

PREPARED STATEMENT OF LAUREN ASHER

SUMMARY

Lauren Asher is president of The Institute for College Access & Success (TICAS), an independent, nonpartisan, nonprofit research and policy organization. TICAS works to increase all Americans' access to quality and affordable higher education and improve the odds of successful educational outcomes for students and for society.

Our ongoing analyses of student debt trends at the national, State, and college level led us to look more closely at what is happening to students in the growing for-profit college industry. Compared to other types of colleges, for-profit colleges enroll the highest share of students with debt, have the highest student debt levels, and the worst Federal student loan default rates. Students who attend for-profit colleges are also much more likely to take out risky private student loans, which are more like credit cards than financial aid, and lack the basic consumer protections that Federal loans have.

The costs are high for both students and taxpayers when students take on student loan debt that they cannot repay. Students who default on their Federal loans will have difficulty renting an apartment or buying a car, and increasingly, getting a job. The debt can follow you until you die, and it is nearly impossible to discharge student loans through bankruptcy. Private student loans can follow you not only to the grave but beyond, and, unlike comparable forms of consumer debt, are also rarely dischargeable through bankruptcy.

Because the for-profit college industry relies on federally funded grants and taxpayer-backed loans for the bulk of its revenue, taxpayers, as well as students, have a lot at stake in the quality and cost of for-profit education. The sector enrolls about 10 percent of college students, but accounted for nearly one in four Federal student loan dollars (at least $20.3 billion) in 2008–9. This is more than double the share of Federal student loans that students at for-profit colleges received a decade earlier. Combined with high default rates, it is understandable that taxpayers want better information about the value of their investment.

Unfortunately and predictably, weakened regulation and reduced oversight, combined with a large potential revenue stream of Federal dollars, have led once again to an environment where the incentives for less scrupulous for-profit colleges to game the system appear to exceed the risks. At the same time, the risks to students and taxpayers are much larger in scale and cost more than ever before. The last time Congress passed major reforms to address abuses at for-profit colleges, the sector was a shadow of the size it is today. In 1991, there were fewer students enrolled in the entire for-profit sector than there are enrolled today in just the University of Phoenix. Given the rising costs and stakes to students and taxpayers, we thank the committee for raising important questions and for its commitment to preserving student access to quality, affordable higher education.

Chairman Harkin, Ranking Member Enzi and members of the committee, thank you for the opportunity to testify on the high debt and default levels for students who attend for-profit colleges, and the need for greater oversight of the for-profit education industry to protect the substantial interests of both students and taxpayers.

My name is Lauren Asher. I am president of The Institute for College Access & Success (TICAS), an independent, nonpartisan, nonprofit research and policy organization based in Oakland, CA. TICAS works to increase all Americans' access to quality and affordable higher education and improve the odds of successful educational outcomes for students and for society. Our Project on Student Debt, launched in 2005, focuses on increasing public understanding of rising student debt and the implications for individuals, families, the economy, and society.

At TICAS, our mission is to improve both educational opportunity and outcomes, so that more under-represented students complete meaningful credentials and do so without burdensome debt. That is why much of our work has focused on community colleges, which enroll the largest share of the Nation's low-income, underrepresented minority, older, and part-time students, as well as students who work full-time while going to school.[1] Student loan borrowing rates at community colleges are quite low compared to other sectors. Indeed, because Federal student loans can be a valuable tool both for expanding college access and supporting student success, we have urged community colleges to participate in the Federal student loan program, so that their students are not forced to rely on riskier and more expensive forms of credit if they do need to borrow to stay and succeed in school. We also developed the underlying policy framework for what has become the Income-Based Repayment Program (IBR) for Federal student loans. IBR caps Federal student loan payments at a reasonable percentage of the borrower's income and forgives any remaining debt after 25 years of responsible payments, or as soon as 10 years for borrowers who work in public service.

In our ongoing analyses of student debt trends at the national, State, and college level, a disturbing pattern emerged that led us to look more closely at what is happening to students in the growing for-profit college industry. Compared to other types of colleges, for-profit colleges have the dubious distinction of the highest share of students with debt, with the highest debt levels for degree completers, the worst Federal student loan default rates, and the lowest completion rates for bachelor's degree programs. For-profit colleges now enroll about 1 in 10 postsecondary students in the United States, but they absorb a far greater share of Federal student aid: one in four Federal Pell grant and student loan dollars goes to students in the for-profit sector. At the same time, for-profit colleges also have the highest share of students taking out private (nonfederal) student loans, one of the riskiest ways to pay for higher education.

Because for-profit colleges recruit and enroll a disproportionate share of low-income students and students of color, we and many other student, college access, consumer, and civil rights advocates are particularly concerned about the disparate impact of this sector's alarmingly high student debt and default levels. Considered together, the for-profit college industry's rapid growth, aggressive recruiting practices, heavy reliance on Federal funds, disturbing student debt patterns, and disproportionate enrollment of under-represented students clearly point to high and rising stakes for both students and taxpayers.

Twenty years ago, when the for-profit college industry was much smaller but similarly lacking in meaningful oversight, these same patterns and problems emerged. It is striking to see what the U.S. Senate Permanent Subcommittee on Investigations concluded in 1991, and how applicable its findings remain today.

> Unquestionably, the Guaranteed Student Loan Program [GSLP] has vastly expanded accessibility to education for those Americans who seek it. The value of accessibility, however, depends on what it is that one is being given access to. On that point, the Subcommittee found that the program has failed, particularly in the arena of proprietary schools, to insure [sic] that Federal dollars are providing quality, and not merely quantity, in education.
>
> As a result, many of the program's intended beneficiaries—hundreds of thousands of young people, many of whom come from backgrounds with already limited opportunities—have suffered further because of their involvement with the GSLP. Victimized by unscrupulous profiteers and their fraudulent schools, stu-

[1] Calculations by The Institute for College Access & Success on data from U.S. Department of Education, National Center for Education Statistics (NCES), National Postsecondary Student Aid Study (NPSAS), 2007–8, *http://nces.ed.gov/surveys/npsas*. Unless otherwise specified, "students" refers to undergraduate students throughout this document.

dents have received neither the training nor the skills they hoped to acquire and, instead, have been left burdened with debts they cannot repay.

Likewise, the American taxpayer has suffered both in terms of footing the bill for billions of dollars of losses in defaulted loans and the ultimate cost of the program's failure to provide the skilled labor force our Nation needs in the increasingly competitive global marketplace.[2]

HIGH DEBT AND LOAN DEFAULTS: CONSEQUENCES FOR STUDENTS AND TAXPAYERS

Not all student loan debt is harmful. Federal student loans fulfill their purpose when they help more students get quality education and training, and leave them in a position to pay off their loans, support themselves and their families, and contribute to our society and economy, whether as teachers, truck drivers, or technology entrepreneurs.

While student loans can help students acquire valuable skills and credentials, they do carry real risks for all borrowers. High student loan debt, and even low debt when paired with low earnings, can leave students with unmanageable payments that can jeopardize their families' basic needs and lead to delinquency and default. Leaving college with burdensome debt also prevents or delays borrowers from taking important steps that benefit not only individuals but our society and economy as a whole. These include starting a business, buying a home, marrying, having children, saving for retirement, and saving for their own children's education.

While Federal student loans provide a variety of tools and consumer protections that can help informed borrowers manage their debt and avoid default, many borrowers are unaware of their options or lack access to unbiased advice. Borrowers with *private* student loans can face much higher costs and have far fewer options when their payments become unmanageable. They are really at the mercy of their lender. Even if a student loan borrower faces severe financial distress and qualifies for bankruptcy, it is nearly impossible to discharge student loans under current bankruptcy law.

STUDENT DEBT AT FOR-PROFIT COLLEGES: MOST STUDENTS BORROW, AND THEY BORROW MORE

Student loan debt is rising in all sectors, but the for-profit sector stands out with by far the highest share of students who borrow and the highest average debt levels. The recent Government Accountability Office (GAO) *investigation* found that colleges misled, pressured, and outright lied to students in order to get them to enroll in for-profit schools and to borrow to cover the costs. [3] The GAO uncovered some for-profit colleges obscuring the true cost of attendance and understating how much borrowing would be required. It also revealed schools significantly overstating likely earnings and job prospects to help justify high borrowing, making students believe that their debt will be easy to pay off. And it showed colleges using aggressive sales tactics to get students to sign a contract before they see a financial aid package. As this committee heard at the June hearing as well, these tactics are well-documented.[4] Some colleges push students to take out risky private loans as well as Federal loans without making the differences or costs clear.[5] Several large for-profit college companies even make private loans directly to their own students, knowing that the majority of these borrowers will not be able to repay (I discuss private loans and this practice in more detail below).

Any way you slice it, students at for profit-colleges are much more likely to have debt than students at other types of schools, because nearly every student who attends a for-profit school gets signed up for Federal and/or private student loans.

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[2] U.S. Senate, Committee on Governmental Affairs, Permanent Subcommittee on Investigations. *Abuses in Federal Student Aid Programs (Senate–R–102–58). 1991. http://www.eric.ed.gov/PDFS/ED332631.pdf.*

[3] U.S. Government Accountability Office. *For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices* (GAO–10–948T). August 4, 2010. *http://www.gao.gov/products/GAO–10–948T.*

[4] See also testimony of Margaret Reiter before the Senate Health, Education, Labor, and Pensions Committee, Hearing on Waste, Fraud and Abuse in the For-Profit Education Sector, June 24, 2010, *http://help.senate.gov/imo/media/doc/Reiter.pdf.*

[5] See also testimony of Valisha Cooks before the House Committee on the Judiciary Subcommittee on Commercial and Administrative Law, Hearing on H.R. 5043, the "Private Student Loan Bankruptcy Fairness Act of 2010." April 22, 2010. *http://judiciary.house.gov/hearings/pdf/Cooks100422.pdf.* Andrews, Wyatt. "Student Complaints Rising at For-Profit Schools." CBS Evening News. September 5, 2010.

• In 2007–8, almost all (97 percent) undergraduates attending for-profit 2-year colleges took out student loans, while only 13 percent of undergraduates attending public 2-year colleges took out student loans.[6]

• In 2007–8, 95 percent of undergraduates attending for-profit 4-year colleges took out student loans, while only 47 percent of undergraduates attending public 4-year colleges took out student loans.[7]

Looking just at those who actually receive an associate's or bachelor's degree, nearly everyone who graduates from a for-profit college has loans, compared to significantly lower shares of graduates of other types of schools. And after graduation, degree holders from for-profits have a lot more debt to pay off, on average, than those who graduated with debt from other types of schools.

• At for-profit institutions, 98 percent of associate's degree recipients had loans in 2007–8, and their average debt was $19,700. At public and non-profit colleges, 38 percent of associate's degree recipients had loans, and their average debt was $10,950.[8]

• At for-profit institutions, 96 percent of bachelor's degree recipients had student loans in 2007–8, and their average debt was $33,050. At public and non-profit colleges, 65 percent of bachelor's degree recipients had loans, and their average debt was $22,750.[9]

• Among bachelor's degree recipients, those who attended for-profit colleges are much more likely to have very high debt. Almost one in four (24 percent) of all 2008 graduates from for-profit 4-year colleges owed at least $40,000 in student loans, compared to just 6 percent of graduates from public 4-year colleges and 15 percent from private nonprofit 4-year colleges. The average debt for all 4-year college graduates with loans, from all sectors, was $23,200.[10]

In addition to the largest share of students with overall debt, for-profit colleges have the largest proportion of students taking out *private* student loans, and the largest increase in this risky type of borrowing.

• In 2007–8, 42 percent of all proprietary school students—not just degree completers—had private loans in 2007–8, up from 12 percent in 2003–4. At private non-profit 4-year schools, which have the second highest rate, 25 percent of students had private loans in 2007–8, up from 11 percent in 2003–4. At public colleges, private loan rates were even lower: 14 percent at public 4-year and 4 percent at public 2-year colleges in 2007–8.[11]

The majority of students who complete a degree or certificate at a for-profit college have private loans.

• In 2007–8, 60 percent of students who completed an associate's degree at a for-profit college had private loans, four times the rate for associate's degree completers at community colleges (15 percent).

• For bachelor's degree completers, 64 percent graduated from for-profit colleges with private loans, compared to 28 percent at public 4-year colleges and 42 percent at private nonprofit 4-year colleges.

• Half (51 percent) of those who completed a certificate at for-profit colleges had private loans, compared to 12 percent at community colleges.[12]

LOW-INCOME AND UNDERREPRESENTED MINORITY STUDENTS BORROW MORE AT FOR-PROFIT COLLEGES

Most low-income and underrepresented minority undergraduates attend either public or private nonprofit schools, with the greatest concentration at community colleges.[13] Among all African-American and Hispanic undergraduates, nearly 8 out

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[6] Calculations by The Institute for College Access & Success on data from U.S. Department of Education, NCES, NPSAS, 2007–8, *http://nces.ed.gov.survey/npsas*.

[7] Ibid.

[8] Ibid.

[9] Ibid.

[10] The Institute for College Access & Success. *High Hopes, Big Debts (Class of 2008)*. May 2010. *http://ticas.org/files/pub/High_Hopes_Big_Debts_2008.pdf*.

[11] The Institute for College Access & Success. *Private Loans Facts and Trends*. August 2009. *http://projectonstudentdebt.org/files/pub/private_loan_facts_trends_09.pdf*. Note that "private loans" here refers to bank and lender-originated loans, not all non-Federal loans.

[12] Baum, Sandy and Steele, P. *How Much are College Students Borrowing?* The College Board. August 2009. *http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf*.

[13] Unless otherwise specified "low-income" refers to students whose family income is less than the median income of undergraduates. Family income includes the student's income for all stu-

Continued

of 10 (78 percent) attended public or private nonprofit schools in 2007–8, including 42 percent at community colleges, while 15 percent attended for-profit colleges.[14] The proportions are similar for low-income students and adult students working full-time: 80 percent of students with incomes below the median attend public and private nonprofit colleges, and 81 percent of students age 24 and older who are working full-time attend public and private nonprofit colleges.[15]

However, while most low-income and underrepresented minority students attend public colleges, these students are also heavily recruited by many for-profit colleges, where they enroll disproportionately and in growing numbers.

- African-American and Hispanic students make up 28 percent of all undergraduates, but they represent nearly half (46 percent) of undergraduates in the for-profit sector.[16]
- Low-income students, many of whom are also students of color, are also overrepresented at for-profits; 64 percent of students attending for-profit college have incomes below the median for all undergraduates.[17]

The majority of students who are low-income, underrepresented minorities, and adults working full-time do *not* take out student loans to pay for college. [18] However, those who attend for-profit colleges are much more likely to borrow—and borrow more—than their counterparts at other types of schools. The data clearly show that across levels of income and categories of race/ethnicity, for-profit college students borrow more than those who attend elsewhere.

- At for-profit colleges, low-income and minority undergraduates are about three times more likely to borrow Federal student loans—and four times more likely to borrow private student loans—as their counterparts at public or private nonprofit colleges.[19]
- At for-profit colleges, adults working full-time are almost five times more likely to borrow Federal student loans—and over six times more likely to borrow private student loans—than their counterparts at public or private nonprofit colleges.[20]
- Pell Grant recipients who graduate from 4-year colleges are more likely to have high debt if they attended a for-profit college. Among graduating seniors in 2008, 23 percent of Pell Grant recipients from for-profit colleges carried at least $40,000 in student loans, compared to 14 percent at all other colleges. Most Pell Grant recipients have family incomes below $40,000.[21]

CONSEQUENCES OF NOT COMPLETING ARE WORSE FOR STUDENTS AT FOR-PROFIT COLLEGES

Regardless of what kind of college you attend, success is what you hope for, but it is never guaranteed. Completion rates vary considerably both across and within different types of schools.[22] Some schools offer more support than others to help students succeed, and students can face all kinds of obstacles to completing their course of study, from financial challenges to family health crises. Graduation rates are much lower at for-profit colleges than at other types of colleges for students

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dents plus parents' income for dependent students and a spouse's income for married independent students. NPSAS reports the median income for dependent undergraduate students was $66,637, and the median income for independent undergraduate students was $26,099. Throughout this document "underrepresented minorities" refers to African-American and Latino students.

[14] These percentages do not sum to 100 because some students attended more than one college during the 2007–8 year.

[15] Calculations by The Institute for College Access & Success on data from U.S. Department of Education, NCES, NPSAS, 2007–8, *http://nces.ed.gov/surveys/npsas*.

[16] Ibid.

[17] Ibid.

[18] Ibid.

[19] Ibid.

[20] Ibid.

[21] *High Hopes, Big Debts* (*Class of 2008*), May 2010.

[22] See, for example: Haycock, Kati, Lynch, M., and Engle, J. *Opportunity Adrift: Our Flagship Universities are Straying from their Public Mission*. The Education Trust. January 2010. *http://www.edtrust.org/sites/edtrust.org/files/publications/files/Opportunity%20Adrift%28%29.pdf*. Hess, Frederick, et al. *Diplomas and Dropouts: Which Colleges Actually Graduate their Students* (*and Which Don't*). American Enterprise Institute. June 2009. *http://www.washingtonmonthly.com/college_guide/feature/college_dropout_factories.php?page=all*. Miller, Ben, and Ly, P. "College Dropout Factories." *Washington Monthly*. August 23, 2010. *http://www.washingtonmonthly.com/college_guide/feature/college_dropout_factories.php?page=all*.

seeking bachelor's degrees, as documented by a report issued last week by the College Board.

• The 6-year graduation rate for first-time, full-time bachelor's degree students is just 22 percent at for-profit 4-year colleges, less than half the rate at public 4-year colleges (55 percent) and only a third of the rate at private nonprofit 4-year colleges (65 percent).

• This rate is lowest (16 percent) for African-American students at for-profit colleges, much lower than for African-American students at public 4-year colleges (39 percent) or private nonprofit colleges (45 percent). For-profit colleges also have the widest gap between bachelor's degree completion rates for African-American students and for White and Asian students.[23]

Currently, the graduation rates reported by the U.S. Department of Education only capture full-time students who complete a degree or certificate from the college where they first enrolled. By excluding part-time, returning, and transfer students, as well as in many cases students who do not start college in the fall semester, these rates paint an imperfect picture of completions. In response to widespread concern about the need for more meaningful graduation figures for 2-year schools in particular, the Higher Education Opportunity Act of 2008 established a task force to study the issue and develop recommendations for alternative measures.[24] But for now, the only graduation rates available for students completing associate degrees or certificates have the significant limitations described above. These data indicate that for first-time, full-time students, completion rates for associate degrees and certificates combined are higher at for-profit 2-year colleges (60 percent) than at public 2-year colleges (22 percent). Notably, the vast majority of these completions at for-profit colleges are short-term certificate programs, while most community college completions are 2-year associate's degrees.[25]

Regardless of programs of study, the consequences of non-completion are far worse for students who drop out of for-profit schools. If you borrowed to help pay for school and did not complete your program of study, the more you borrowed, the worse off you are. You do not have a degree, certificate, or better job to show for your time in school, but you still have to pay your loans. That puts non-completers at for-profit colleges in the worst position, as they are the most likely to borrow, and borrow larger amounts than students at other types of colleges. Even at 2-year schools, nearly every for-profit college student takes out loans. A full 97 percent of students enrolled at for-profit 2-year colleges have loans, compared to just 13 percent of students at public 2-year colleges.[26]

When students drop out of a quality, affordable program, there are other costs, as well. They have foregone earnings and time without the benefit of a recognized credential. There are also social costs, because in addition to being more likely to have a job and higher taxable earnings, college graduates are also more likely to vote, to be healthier, and to pass on the value of education to their children.[27]

In general, students are taking a much bigger risk by going to a costly for-profit school than to a community college. If you do not or cannot finish a program of study at a for-profit school, the odds are very high that you will be left with a lot of debt that will be difficult to pay off, since nearly all students at for-profits borrow to cover the high costs, and for more than 40 percent that borrowing includes risky private student loans.[28] But if you go to a community college and find that you are not suited to the field you were pursuing, or cannot keep up with the coursework because of a family illness or job loss, you will probably have very little debt, if any, to pay off. If you did borrow to attend community college, in most cases you will have only Federal student loans, which give borrowers many more options for managing their debt and staying out of default.

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[23] Baum, Sandy, Ma, J., and Payea, K. *Education Pays: The Benefits of Higher Education for Individuals and Society*. The College Board. September 2010. *http://trends.collegeboard.org/files/Education_Pays_2010.pdf.*

[24] "U.S. Education Secretary Appoints Members and Chair of New Committee on Measures of Student Success." U.S. Department of Education. June 2, 2010 Available at *http://www.ed.gov/news/press-releases/us-education-secretary-appoints-members-and-chair-new-committee-measures-student*.

[25] Baum, Ma, and Payea, 2010.

[26] Calculations by The Institute for College Access & Success on data from U.S. Department of Education, NCES, NPSAS, 2007–8, *http://nces.ed.gov/surveys/npsas*.

[27] Baum, Sandy, Ma, J., and Payea, K. *Education Pays: The Benefits of Higher Education for Individuals and Society*. The College Board. September 2010. *http://trends.collegeboard.org/files/Education_Pays_2010.pdf.*

[28] *Private Loans Facts and Trends*, 2009.

DEBT FOR WORTHLESS DEGREES—WHEN COMPLETION DOESN'T PAY

While college completion, in general, leaves you better off, a worthless or grossly overpriced credential can be worse than no credential—especially if you took out student loans. That is what happened to Yasmine Issa, a single mother who testified before this committee in June.[29] She completed a for-profit program that purported to prepare her for work as a sonographer, only to find out $32,000 later—including $15,000 in loans—that the program did not actually qualify her to sit for the licensing exam or work in the field. While the school's aggressive recruiters went out of their way to tell her that the *school* was accredited, its sonography *program* was un-accredited and effectively worthless. She found out too late that the local community college offered an accredited sonography program for about half the cost.

Unless you work in higher education policy or watched the June hearing, it would never occur to you that an accredited school could offer an unaccredited program. This is just one way that hard-working students who follow the rules—along with taxpayers—are getting ripped off by some for-profit schools and left with loans they cannot repay.

Another unfortunate student, Michelle Zuver, shared her story at a forum Senator Durbin held in Chicago on August 31, 2010. Michelle earned a bachelor's degree in criminal justice from a for-profit college, but her degree is not recognized by any law enforcement agencies in her area, although she went to school specifically to qualify for that profession. A college recruiter pressured her to enroll and told her the program would cost $52,000. She ended up borrowing $86,000, mostly in private student loans, for a degree she cannot use. Her credits will not even transfer to a properly accredited program in her field.

All 15 of the colleges investigated in the GAO's recent report received at least 89 percent of their revenues from Federal student grants and loans, and all 15 engaged in at least some deceptive practices designed to get students to borrow more than they planned or realized, and several committed outright fraud. In one striking example, a beauty school recruiter told a prospective student that once he completed their program, he would earn $150,000–$250,00 a year as a barber. The GAO report notes that 90 percent of barbers actually earn less than $43,000 a year.[30]

HIGHER DEFAULT RATES AT FOR-PROFIT COLLEGES: NOT JUST DEMOGRAPHICS

Students who attend for-profit colleges face much higher odds of defaulting on a Federal student loan than those who attend other types of schools. As a sector, for-profit colleges have the highest default rate for Federal student loans.[31]

- Nearly half of all Federal student loan borrowers who entered repayment in 2008 and defaulted by 2010 attended for-profit schools (43 percent), even though only about 10 percent of students attended these schools.[32]
- The average 2-year default rate for Federal loan borrowers at for-profit colleges is nearly double the average rate at public colleges, and it is triple the rate at private non-profit colleges.[33]

While student demographics play a role, the evidence is clear that demographics are by no means the sole explanation for the sector's high default rates. Schools play an important role as well.

- The Career College Association's own study concludes that even after accounting for differences in student demographics, students attending for-profit colleges are twice as likely to default as students at other types of colleges.[34]

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[29] Testimony of Yasmine Issa before the Senate Health, Education, Labor, and Pensions Committee, Hearing on Waste, Fraud and Abuse in the For-Profit Education Sector, June 24, 2010, *http://help.senate.gov/imo/media/doc/Issa.pdf*.

[30] *GAO*, 2010.

[31] Unless otherwise noted, default rates and shares of defaulters reflect only those who default within 2 years of first entering repayment. Federal student loan default data are not available by borrowers' income or race/ethnicity.

[32] Calculations by The Institute for College Access & Success on data from U.S. Department of Education, "Official Cohort Default Rates for Schools," *http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html*, accessed September 13, 2010 and U.S. Department of Education, National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), *http://nces.ed.gov.ipeds*. Default figures include borrowers who entered repayment in Federal fiscal year 2008 and had defaulted by the end of the 2009 Federal fiscal year.

[33] U.S. Department of Education. "Student Loan Default Rates Increase." September 13, 2010. *http://www.ed.gov/news/press-releases/student-loan-default-rates-increase-0*.

[34] Charles River Associates for the Career College Association. "Report on Gainful Employment," April, 2010. *http://www.whitehouse.gov/sites/default/files/omb/assets/oira_1840/1840_04232010-h.pdf*.

• Lenders have noted that attending a for-profit school is a risk factor for default.[35] In its private student loan business, Sallie Mae has reported that it expects to see a 30 percent difference in default rates for a borrower with a FICO score greater than 700, "depending on the school that borrower attends."[36]

• For-profit schools regularly tell investors that they can lower their default rates. For example, on a recent earnings call, Corinthian Colleges stated, "[W]e are aggressively attacking cohort default rates, and expect to see measurable results."[37] ITT Educational Services stated on an earnings call, "default management is a very important part of what we'll be doing and focusing on in 2010."[38]

• A recent report by Education Sector documents the role schools can play in lowering default rates: "the experience of the Texas HBCUs, along with a new statistical analysis of cohort default rates, suggests that dangerously high default rates for institutions that serve at-risk students are not inevitable ... Their [the Texas HBCUs] success is not only applicable to other similar institutions, but to all schools that serve those students most at risk for default and who are committed to helping them succeed."[39]

Many for-profit schools *have* kept Federal student loan default rates down during the period when cohort default rates are measured and could affect schools' eligibility for Federal student aid.[40] Last December, in preparation for the shift from measuring a school's cohort default rate based on the first 2 years of repayment to the first 3 years of repayment, the U.S. Department of Education published data showing what school default rates would look like based on a 3-year window. The default rates at 183 for-profit institutions were at least *15 percentage points* higher for a 3-year window compared to a 2-year window. This suggests that the colleges were aggressive about keeping defaults down during, but not after, the period in which they were being tracked as a measure of institutional accountability. These 183 for-profit institutions collectively enrolled 9 percent of all students attending for-profit institutions. By comparison, only 20 schools in all other sectors saw a similar increase in their default rates when the window was extended from 2 to 3 years, and these 20 schools enrolled one-tenth of 1 percent of students in all other sectors.[41]

Clearly, for-profit colleges are not powerless in the face of student demographics when it comes to managing default rates, and they are responsive to changes in policy that have implications for their bottom line.

WHAT HAPPENS TO STUDENTS WHO DEFAULT

Defaulting on a Federal student loan has severe and long-lasting consequences.[42] It wrecks your credit rating, making it difficult to rent an apartment or buy a car, and increasingly, to get a job. You will likely be hounded by collectors, and your debt will increase significantly because of default and collection fees. You cannot get Federal grants or loans to return to school, and the debt can follow you until you die. There is no statute of limitations, and the government can garnish your wages, seize your tax refunds, and eventually take a slice of your Social Security check.

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[35] Student Lending Analytics. "Sallie Mae To Discontinue Career Training Loan Program." January 15, 2010. *http://studentlendinganalytics.typepad.com/student__lending__analytics/2010/01/sallie-mae-to-discontinue-career-training-loan-program.html*.

[36] Student Lending Analytics. "Highlights of Sallie Mae Investor Meeting at Credit Suisse Conference." February 12, 2010. *http://studentlendinganalytics.typepad.com/student__lending__analytics/2010/02/highlights-of-sallie-mae-investor-meeting-at-credit-suisse-conference.html*.

[37] Call transcript available online at: *http://seekingalpha.com/article/186144-corinthian-colleges-inc-f2q10-qtr-end-12-31-09-earnings-call-transcript?page=-1*.

[38] Call transcript available online at: *http://seekingalpha.com/article/183751-itt-educational-services-inc-q4-2009-earnings-call-transcript?page=-1*.

[39] Dillon, Erin and Smiles, Robert. "Lowering Student Loan Default Rates: What One Consortium of Historically Black Institutions Did to Succeed." Education Sector. February 2010. *http://www.educationsector.org/usr__doc/Default__Rates__HBCU.pdf*.

[40] ITT Educational Services, Inc. Q4 2009 Earnings Call Transcript. January 21, 2010. *http://seekingalpha.com/article/183751-itt-educational-services-inc-q4-2009-earnings-call-transcript?page=-1*.

[41] Calculations by The Institute for College Access & Success on data from the U.S. Department of Education, "*Trial Three-Year Cohort Default Rates* FY 2007." Excludes institutions with 50 or fewer borrowers who entered repayment in Federal fiscal year 2007.

[42] U.S. Department of Education. *Collections Guide to Defaulted Student Loans*. Accessed September 26, 2010 at *http://www2.ed.gov/offices/OSFAP/DCS/index.html*. See also, Student Loan Borrower Assistance, National Consumer Law Center. Default and Delinquency. Accessed on September 26, 2010 at *http://www.studentloanborrowerassistance.org/default-and-delinquency/*.

Even if you are in such severe financial distress that you meet the requirements for declaring bankruptcy, it is nearly impossible to discharge student loans.

Private student loans can follow you not only to the grave but also beyond. Unlike Federal loans, most private loans have co-signers *and* remain collectible even if the borrower dies.[43] Since 2005, private student loans have been treated just as harshly as Federal student loans in bankruptcy. While similar kinds of private, profit-driven consumer debt are discharged when you are approved for bankruptcy, private student loans are not. Ironically, it is easier to get relief from credit cards and gambling debt than from private student loan debt.

PRIVATE STUDENT LOANS: A PARTICULAR PROBLEM AT FOR-PROFIT SCHOOLS

As noted above, in addition to high overall student debt, the for-profit college sector has the largest share of students with *private* student loans, which carry serious financial risks for borrowers. While private student loans are no more a form of financial aid than a credit card is when used to pay for tuition or books, they are sometimes included in financial aid packages, and some for-profit colleges even offer their own private loans directly to students.

- The odds of having a private loan are highest for students at for-profit colleges, where 42 percent used a private loan in 2007–8, the most recent year for which data are available. Next come students at private nonprofit 4-year schools at 25 percent, public 4-year schools at 14 percent, and community colleges at 4 percent.
- Due at least in part to their over-representation at for-profit colleges, 17 percent of African-American undergraduates took out a private student loan in 2007–8, making them the most likely to borrow these risky products among all racial and ethnic groups. Their rate of private loan borrowing also rose the most steeply, quadrupling from 2003–4 to 2007–8.[44]

Like credit cards, private student loans typically have uncapped, variable interest rates that are highest for those who can least afford them. Lenders typically reserve the right to raise interest rates and charge high fees for myriad reasons and to declare borrowers in default for something as simple as being a day late on a payment. These loans also lack the important deferment options, affordable repayment plans, loan forgiveness programs, and cancellation rights in cases of death, severe disability, and school closure that Federal student loans provide. But, as noted above, unlike credit card debt and other consumer loans, private student loans are virtually impossible for borrowers to discharge in bankruptcy.

Some for-profit colleges are aggressively expanding their own private lending to students who are at very high risk of default.[45] Pushing these students to take on private loan debt they cannot repay can be devastating for the students in the long run, but quite profitable for the school.

- For example, Corinthian Colleges, Inc. made $150 million of such loans in the fiscal year that ended this June, as well as $120 million the year before. They fully expect a shocking 56 to 58 percent of the borrowers to default.[46] Yet they consider these loans good investments because they will increase enrollment and with it a profitable flow of Federal grant and loan dollars that outweighs the planned write-offs. Corinthian owns more than 100 colleges across the United States.[47] Other large for-profit college companies, such as ITT and Career Education Corporation, are also lending to their own students and expecting very high defaults.[48]
- In addition to using these loans to gain access to profitable amounts of Federal student aid, for-profit colleges can immediately count these private loans towards the 10 percent of revenues these schools are required to get from sources other than

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[43] National Consumer Law Center's Student Loan Borrower Assistance Web site: Disability and Death section. Available at *http://www.studentloanborrowerassistance.org/loan-cancellation/disability-and-death/*. See also Pilon, Mary. "When Student Loans Live on After Death." Wall St. Journal. August 7, 2010. *http://online.wsj.com/article/SB10001424052748704741904575409510529783860.html*.

[44] *Private Loans: Facts and Trends*, August 2009.

[45] Pope, Justin. "For-Profit Colleges' Increased Lending Prompts Concerns." Associated Press. August 15, 2009. *http://www.usatoday.com/news/education/2009-08-15-profit-college-lending_N.htm*.

[46] "Corinthian Colleges, Inc. F4Q09 (Qtr End 06/30/09) Earnings Call Transcript" *http://seekingalpha.com/article/158257-corinthian-colleges-inc-f4q09-qtr-end-06-30-09-earnings-call-transcript?source=bnet*; and "Corinthian Colleges, Inc. F2Q10 (Qtr End 12/31/09) Earnings Call Transcript" *http://seekingalpha.com/article/186144-corinthian-colleges-inc-f2q10-qtr-end-12-31-09-earnings-call-transcript?part=qanda*.

[47] From Corinthian College's Web site as of September 22, 2010: *http://www.cci.edu/brands*.

[48] "Career Education Corporation Q1 2009 Earnings Call Transcript" *http://seekingalpha.com/article/136209-career-education-corporation-q1-2009-earnings-call-transcript?page=-1*. *Wall Street Journal*, "For-Profit Schools Face Detention Not Expulsion," Aug. 20, 2010.

Federal student aid. From July 2008 through June 2012, the Higher Education Opportunity Act (HEOA) lets for-profit colleges count the net present value of their institutional loans as non-Federal revenue in the year these loans are made, rather than counting them as revenue if and when they are actually repaid by the students.[49]

These are attempts to get around market corrections that appropriately reduced access to expensive, subprime private loans for very high risk borrowers, and to justify prices for for-profit education and training programs that may exceed Federal aid limits. In 2008, Sallie Mae stopped most of its lending to these types of schools because of high default rates and other questionable practices. But whether the source is their own school or an outside lender, the students who are pushed into private loans they cannot afford are stuck with them even in bankruptcy, while the lenders are free to move on.

COSTS AND RISKS FOR TAXPAYERS

Because the for-profit college industry relies on federally funded grants and taxpayer-backed loans for the bulk of its revenue, taxpayers, as well as students, have a lot at stake in the quality and cost of for-profit education. While for-profit schools have a fiduciary responsibility to act in the best interest of their shareholders and generate profits, Congress has a fiduciary responsibility to act in the best interest of taxpayers.

This committee's June 2010 report, *Emerging Risk*, outlined just how heavily taxpayers are subsidizing the for-profit college industry.[50] While for-profit colleges may get up to 90 percent of their revenue from Federal student aid (title IV grants and loans), that extraordinarily high percentage currently excludes some Federal student loans, and it does not include other government revenue sources, such as GI bill benefits or Federal job training funds. Here are just a few examples of how much taxpayers are spending on for-profit colleges.

- One in four Federal Pell grant dollars (more than $7.3 billion) went to students attending for-profit schools in 2009–10, almost double the share a decade earlier.[51]
- Nearly one in four Federal student loan dollars (at least $20.3 billion) went to students at for-profit schools in 2008–9 (the latest year of available data), more than double the share in 1999–2000.[52] In the coming year, for-profit colleges are expected to absorb an estimated $30 billion in Federal student loans.[53]
- Since August 2009, taxpayers have spent $618 million on tuition and fees at for-profit colleges through the post-9/11 GI bill. That amounts to more than a third (35 percent) of taxpayer spending in that period on veterans' tuition and fees.[54]

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[49] "For loans made to students by the institution from July 1, 2008, but before July 1, 2012, the net present value of the loans made during a fiscal year if the loans are evidenced by promissory notes, issued at intervals related to the institution's enrollment periods, and are subject to regular loan repayments and collections. For loans made on or after July 1, 2012, only the amount of loan repayments the institution receives during a fiscal year, excluding repayment on any loans for which the institution previously used the net present value in its 90/10 calculation." From U.S. Department of Education, "Dear Colleague" letter summarizing the Higher Education Opportunity Act (DCL ID: GEN-08-12 FP-08-10). December 2010. *http://www.ifap.ed.gov/dpcletters/attachments/GEN0812FP0810AttachHEOADCL.pdf.*

[50] U.S. Senate Health, Education, Labor, and Pensions Committee. "Emerging Risk?: An Overview of growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education." U.S. Senate. June 24, 2010. *http://harkin.senate.gov/documents/pdf/4c23515814dca.pdf.*

[51] Calculations by TICAS on data from U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports. *http://federalstudentaid.ed.gov/datacenter/programmatic.html*, accessed July 22, 2010; U.S. Department of Education, Office of Postsecondary Education (OPE). "Pell End of Year Report, 1999–2000." *http://www2.ed.gov/finaid/prof/resources/data/pell-data.html*, accessed July 28, 2010.

[52] Calculations by The Institute for College Access & Success on data from U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports. *http://federalstudentaid.ed.gov/datacenter/programmatic.html*, accessed September 27, 2010.

[53] Calculations by The Institute for College Access & Success on data from the U.S. Department of Education. "Fiscal Year 2011 Budget Request: STUDENT LOANS OVERVIEW." *http://www2.ed.gov/about/overview/budget/budget11/justifications/t-loansoverview.pdf*, accessed June 22, 2010.

[54] Golden, Dan. "Veterans Failing Shows Hazards of For-Profit Schools in GI Bill." Bloomberg News. September 23, 2010. *http://www.bloomberg.com/news/2010-09-23/veterans-failing-to-learn-show-hazards-of-for-profit-schools-under-gi-bill.html*.

• In fiscal year 2010, an estimated $230 million in tuition assistance for active-duty troops went to for-profit, online colleges.[55]

The best available estimate for the average, undiscounted cost of tuition and fees for all for-profit colleges in 2009–10 is nearly $14,200, which is more than twice the average undiscounted cost for in-State students at public 4-year colleges, and more than five times the cost at public 2-year colleges.[56] For-profit colleges, which have an obligation to maximize profits for shareholders, can set their prices to generate the maximum possible revenue from Federal student loans, as well as other Federal and State Government sources.

• Online colleges that market heavily to members of the military typically price their course credits at the maximum amount covered by GI benefits, $250, which is five times more than the typical cost of community college credits offered on military bases, according to a Bloomberg News analysis.[57]

• Some State grants can be used to attend for-profit colleges. For example, California's Cal Grant program made some awards of more than $15,000 to students at for-profit colleges in 2007–8, including colleges that the California Attorney General found in 2005 to have falsified job placement and salary data for graduates. This is roughly 10 times the value of a typical Cal Grant received by a community college student.[58]

Even after taking substantial State subsidies for public colleges into account, taxpayers and students combined can still end up paying less for career education programs at public colleges than at for-profit colleges. This is what the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) found earlier this year, when it compared five career education programs offered by both public and for-profit colleges in the State.[59]

• Three out of the five programs studied cost thousands of dollars less at public colleges than at for-profit colleges after combining the student and State contributions. These programs were $2,250 to nearly $5,100 cheaper at public colleges. The two programs that cost less at for-profit colleges were cheaper by much smaller amounts: $46 and $837.

• One for-profit program—massage therapy—had a per-student cost more than double the public college program's cost, along with fewer completions and a lower pass rate on the licensure exam.

• The public programs also had much higher rates of accreditation and much higher pass rates on licensure and certification exams. For example, 95 percent of the public phlebotomy programs were accredited, compared to 26 percent of the for-profit programs.

DÉJÀ VU ALL OVER AGAIN

Sadly, this is not the first time that policymakers have had to raise concerns about these kinds of problems in the for-profit college sector. Following the creation of the GI bill in 1944, thousands of for-profit colleges sprung up virtually overnight to enroll veterans.[60] In response to well-founded concerns about waste, fraud and abuse, Congress established an important market mechanism for veteran education programs. It capped the percentage of a program's students that could receive veteran benefits at 85 percent. This "85-15 Rule" is intended to ensure that at least

[55] Reed. Charlie. "DOD to tighten scrutiny of for-profit, online colleges." *Stars and Stripes*. September 24, 2010. *http://www.stripes.com/news/dod-to-tighten-scrutiny-of-for-profit-online-colleges-1.119391*.

[56] The College Board. *Trends in College Pricing 2009*. *http://www.trends-collegeboard.com/college_pricing/1_1_published_prices_by_sector.html?expandable=0*. See also *http://www.trends-collegeboard.com/college_pricing/introduction.html*.

[57] Golden, Dan. "Marine Can't Recall His Lessons at For-Profit College." Bloomberg. December 15, 2009. *http://www.bloomberg.com/apps/news?pid=newsarchive&sid=al8HttoCG.ps*.

[58] California Student Aid Commission, "Cal Grant Statistics, Academic Year 2007–8." *http://www.csac.ca.gov/pubs/forms/grnt_frm/07-08PreliminaryGrantStatistics.pdf*. See also, California Office of the Attorney General, July 31, 2007, "Brown Reaches Multi-Million Settlement with Corinthian Vocational School." *http://ag.ca.gov/newsalerts/release.php?id=1444*.

[59] Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), *Public Career Education Programs Differ From Private Programs on Their Admission Requirements, Costs, Financial Aid Availability, and Student Outcomes*, January 2010. Report 10–18. *http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1018rpt.pdf*.

[60] Altschuler, Glenn C. and Stuart M. Blumin. *The G.I. Bill: A New Deal for Veterans*. Oxford University Press. 2009.

15 percent of a program's students are willing to pay the sticker price without the Federal subsidy.[61]

In 1972, amendments to the Higher Education Act allowed for-profit schools to participate in the Federal title IV student financial assistance programs for the first time. Problems arose almost immediately. Throughout the next two decades, there were congressional hearings, investigations and legislative attempts to uncover and thwart deceptive and fraudulent practices in the proprietary sector. The most notable investigation came in 1990, when the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affair, led by Senator Sam Nunn, documented a wide range of pervasive problems plaguing virtually every part of for-profit college administration and oversight.[62]

In response, Congress passed a series of reforms in 1992. These included establishing an 85–15 rule for title IV financial aid, modeled after the GI bill provision but focused on revenues rather than students. It required proprietary schools to get at least 15 percent of their revenues from sources other than title IV programs. A "50 percent Rule" made schools ineligible for title IV funds if more than half their courses were provided through correspondence. Importantly, the 1992 reforms also banned incentive compensation for college recruiters and personnel.

The results were clear. In less than 10 years, for-profit sector default rates fell from 29 percent in 1991 to 9 percent in 2000.[63]

However, it did not take long for the newly strengthened rules to get weakened under intense lobbying from the for-profit college industry. In 1998, Congress reduced the percentage of revenue that schools had to obtain from non-title IV sources from 15 percent to 10 percent (changing the 85–15 rule to 90–10). This was just 1 year after a GAO report concluded that proprietary schools that relied more heavily on title IV funds tended to have poorer student outcomes: "Our analysis showed that, on average, the higher a school's reliance on Title IV, the lower its students' completion and placement rates, and the higher its students' default rates."[64] The rules continued to be watered down through the 2000s, including:[65]

- 2002—The Department of Education added "safe harbors" to the ban on incentive compensation which, in direct contradiction to the statute, allowed forms of incentive compensation. These loopholes directly contributed to the growth of high-pressure recruiting tactics at some for-profit colleges.[66]
- 2005—The rule limiting distance courses to 50 percent of a college's total enrollment was gutted by eliminating the requirement that eligible telecommunications (i.e., online) courses be part of programs at least 1 year in length, opening doors to 100 percent online colleges. In the Internet age, this allowed colleges to double in size virtually overnight.
- 2008—The Higher Education Opportunity Act (HEOA) substantially weakened the already weak 90–10 rule for title IV student aid. It allowed for-profit schools to immediately count institutional loans towards their 10 percent of non-Federal revenues, rather than counting them as they are repaid; allowed schools to count some title IV aid towards the 10 percent, rather than the 90 percent, side of the 90–10 calculation; and eased penalties for proprietary institutions that fail to comply with the 90–10 rule.

Unfortunately and predictably, weakened regulation and reduced oversight, combined with a large potential revenue stream of Federal dollars, have led once again to an environment where the incentives for less scrupulous for-profit colleges to game the system appear to exceed the risks. At the same time, the risks to students and taxpayers are much larger in scale and cost than ever before.

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[61] Decision by the U.S. Supreme Court: 435 U.S. 213, 98 S.Ct. 1024, 55 L.Ed.2d 225, Max CLELAND, *Administrator of the Veterans Administration*, *et al*. v. *NATIONAL COLLEGE OF BUSINESS*, No. 77–716. March 20, 1978.

[62] The 1990 hearings culminated in Senate Report 102–58, *Abuses in Federal Student Aid Programs*, Report Made by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, United States Senate, May 17, 1991.

[63] Calculations by The Institute for College Access & Success on U.S. Department of Education data on student loan defaults, for Federal Fiscal Years 1991 and 2000.

[64] GAO. "Proprietary Schools: Poorer Student Outcomes at Schools That Rely More on Federal Student Aid," GAO/HEHS–97–103 Proprietary Schools and Student Aid. June 1997.

[65] Congressional Research Service Report RL-33909. *Institutional Eligibility for Participation in Title IV Student Aid Programs Under the Higher Education Act: Background and Reauthorization Issues*, by Rebecca R. Skinner.

[66] Testimony of David Hawkins, Director of Public Policy and Research, National Association for College Admission Counseling, before the Senate Health, Education, Labor, and Pensions Committee, Hearing on Marketing and Recruitment in For-Profit Education. August 4, 2010. *http://help.senate.gov/imo/media/doc/Hawkins1.pdf*.

The last time Congress cracked down on abuses at for-profit colleges, the sector was a shadow of the size it is today. In 1991—the point at which the Permanent Subcommittee on Investigations found proprietary colleges to be "leaving hundreds of thousands of students with little or no training, no jobs, and significant debts that they cannot possibly repay"—there were fewer students enrolled in the entire for-profit sector than there are enrolled today in just the University of Phoenix. In 1991, the University of Phoenix enrolled just over 7,000 students. Last fall, it enrolled more than 475,000.[67]

In 1991, Ashford University did not exist. It was then a tiny nonprofit college in Iowa with a different name and fewer than 300 students. In 2005, the year Congress eliminated the rule limiting aid to online schools, this tiny nonprofit college with fewer than 1,000 students became Ashford University. By last year, just 4 years later, it was a publicly traded for-profit corporation with more than 46,000 students—more than the University of Iowa or Iowa State, and more than all the colleges in Wyoming combined.[68]

The fact that for-profit schools are growing quickly is not inherently problematic, but the high stakes for both students and taxpayers suggest that the sector should be actively and carefully monitored. Our higher education and financial aid systems are very complicated, even for highly educated consumers. As David Hawkins of the National Association for College Admission Counseling (NACAC) testified before this committee in August, "the information asymmetry between the employees in charge of recruiting and prospective students is immense. In an unregulated environment, the potential for misrepresentation and outright fraud is a clear and present threat, which can result in harm to students and, in the case of Federal aid and loans, to the taxpayer."[69]

For example, an article in this June's issue of *Good Housekeeping* magazine offered a thoughtful but daunting list of 11 different kinds of research students should do if they are considering a for-profit college for career education—from checking with local public colleges to see if they offer similar programs at lower cost, to interviewing prospective employers, to figuring out the name of the school's parent company and, if it is publicly held, reading its most recent 10–K filing with the SEC.

Missing from this already long list are any questions about program-level accreditation and licensing requirements, which, as this committee heard from Yasmine Issa in June, are arcane issues that can render even a completed credential completely useless. This level of sophisticated, defensive research and analysis is more than should be required of any consumer, and is particularly burdensome for the less-educated consumers deliberately targeted by much of this industry. The ability to interpret corporate SEC filings and detailed knowledge of the different types of accreditation should not be required to avoid getting ripped off by a for-profit school.

Thank you again for holding today's hearing and for the opportunity to testify today. I look forward to answering your questions.

The CHAIRMAN. Thank you very much, all of you, for your testimony. We'll now begin a round of 5-minute questions.

Ms. Asher, we'll start where you just left off. I read your testimony. You gave an example here about expanding their private lending to students. Some of these colleges, for-profits, say they also loan money. You pointed out an example in your written testimony that Corinthian Colleges, Inc., made $150 million of such loans in the fiscal year that ended this June, as well as $120 million the year before.

Now, most career colleges tout that as a good thing, that they're loaning money to students. Yet you say,

> "They fully expect a shocking 56 to 58 percent of the borrowers to default. Yet they consider these loans good investments because they will increase enrollment and with it a profitable flow of Federal grant and loan dollars that outweighs the planned writeoffs."

[67] Calculations by TICAS on IPEDS for the years noted.

[68] Ibid.

[69] Testimony of David Hawkins, Director of Public Policy and Research, National Association for College Admission Counseling, before the Senate Health, Education, Labor, and Pensions Committee, Hearing on Marketing and Recruitment in For-Profit Education. August 4, 2010. *http://help.senate.gov/imo/media/doc/Hawkins1.pdf*.

Would you want to elaborate on that?

Ms. ASHER. Sure.

The CHAIRMAN. Tell us what you mean by that?

Ms. ASHER. First of all, it's important to note that this information was provided by Corinthian to investors in public calls as well as in some SEC filings.

What's interesting about this lending pattern is partly that it has expanded at Corinthian and some other schools like ITT Tech and Career Education Corporation as Sallie Mae and some other lenders withdrew from the subprime private student lending industry. Many of them were making subprime loans, expensive loans to students who probably couldn't afford them, during the credit boom that we also saw in the mortgage industry, and pulled out once the risks could no longer be offloaded onto third parties.

Some schools stepped in to fill that gap because of the financial interest in their larger amount of financial aid from the Federal Government that students could bring in.

The CHAIRMAN. I think what you're saying in your testimony—correct me if I'm wrong—is that they were willing to make those loans, write them off because students would default, knowing that if they're loaning $150, they may get $300 in Federal money coming in, which means they get a profit of 150 bucks.

Ms. ASHER. I suspect it's much more.

The CHAIRMAN. Well, I'm just using that as an example. In other words, that's what you're saying, that they were willing to do that because it brings in more students.

Ms. ASHER. That's correct.

The CHAIRMAN. Also, is it your observation that these schools basically first go after the lowest income students because they get the most Federal dollars?

Ms. ASHER. I would refer in part to my esteemed co-panelist here, but yes, it's clear that if you can make more money by capturing more Federal aid per student and convert that into profits, that's a very, very strong incentive for some of the abuses that these hearings have documented.

The CHAIRMAN. Ms. Bittel, again I'm well aware of the risks that you've taken to come here and to testify. Rarely we get people that I call real profiles in courage. You are one of those. In a very tough job market, I know that you're risking your employment to be here.

I've read your testimony thoroughly and of course I listened intently to your comments. I just want to read from your written testimony one thing and take a little bit of time to do this, just about a minute. You talked about a co-worker who came to you to verify employment. Someone had sent it in saying they were making $8,000 a year, but they went to salary.com, "estimating average salary in that field in their ZIP code would be $25,000." They threw the one from the real person in the wastebasket and used the one from the salary.com.

You said that you had taken this action to the supervisor, and no disciplinary action was taken, and you said,

> "Much to the contrary, this same co-worker who changed the student's salary data received EDMC's North Star Award shortly thereafter. The intent of the award is to exhibit to other employees that 'this was a star to follow'."

Are you saying that basically it was an encouragement to do that?

Ms. BITTEL. That was the way I took it. It wasn't written down in a memo. They're far too smart for that. As you saw a minute ago, I'm not afraid to speak up, and when I thought I saw wrongdoing I went to my supervisor about it. I was outraged that such a thing could happen. I was assured that they would go to the head of the department and I anticipated seeing some sort of disciplinary action of some sort. But I saw those types of actions continue. And when the award was given, the legend of the North Star is that that is the star that the mariners followed for clear direction. That's the meaning of the award.

What more could I take from that? I mean, no, it didn't come to me in a written policy, but I saw that person rewarded in many ways, and it to me was subliminally—it was put out there. Actions speak louder than words, and this is the way I took it to be.

The CHAIRMAN. Thank you very much.

My 5 minutes are up. We'll continue 5-minute rounds.

Senator Burr.

STATEMENT OF SENATOR BURR

Senator BURR. Thank you, Mr. Chairman. The only Republican in the room.

Ms. Bittel, I thought that was very telling, the comment that you said, and I apologize for the other members that have other committees or hearings that they may find as important as this one. Quite honestly, I would rather see the panel a little more balanced than it is. But I think the Ranking Member stated it very well.

Let me move to the letter that the chairman was so gracious to put in the record from EDMC. I take for granted, Mr. Chairman, that's the letter dated September 29?

The CHAIRMAN. It's dated September 30.

Senator BURR. Well, let me ask unanimous consent to enter into the record the letter you have from September 29 to yourself and to Chairman Enzi.

[The material referred to may be found in Additional Material.]

Ms. Bittel, if what this letter states is correct you're currently on leave at your request. Is that right?

Ms. BITTEL. That is correct, sir.

Senator BURR. Upon learning of the allegations, EDMC company policy, and consistent with company policy, conducted a full internal investigation, and part of that was to ask you for specific information. Is that correct?

Ms. BITTEL. That is correct, sir.

Senator BURR. And this letter states that you refused to provide that information.

Ms. BITTEL. That's not entirely accurate, sir. When I—first of all, clearly——

Senator BURR. What part's not accurate?

Ms. BITTEL. That——

Senator BURR. Did you supply the information they requested?

Ms. BITTEL. Please let me just explain, if you would, please.

Senator BURR. Well, I'm just asking, did you supply the information——

Ms. BITTEL. I did supply information, yes, sir.

Senator BURR [continuing]. That they requested for the internal investigation?

Ms. BITTEL. Yes, sir.

Senator BURR. You supplied it?

Ms. BITTEL. I supplied—I went to them. I sat with them for more than an hour. I had talking notes that I had written. I spoke with the human resources director for quite some time and I allowed her to ask all questions. I answered all questions.

Senator BURR. Let me just read the letter and you tell me what part you disagree with. It says,

> "Ms. Bittel refused to provide specific information about her allegations, despite being informed that the failure to do so would hinder the investigation."

Ms. BITTEL. The only thing that I refused to provide were the names of people. I did not feel that it was proper for me to do so. They have the records to be able to see.

Senator BURR. Let me go on to state, the letter:

> "The internal investigation found no support for Ms. Bittel's claim of undue pressure placed upon Career Service advisers at EDMC Online Higher Education to meet placement goals or to falsely graduate or verify graduates' employment was released to their field of study."

Now, clearly you've got a difference with the company, but I think it's important for the record—and again, I would ask unanimous consent that this be a part of the record, Mr. Chairman, since it is a response to you.

Let me turn now to the panel. I have one simple question that I will ask all of you: Is it more important whether an institution is for-profit or not-for-profit or is it more important what the graduation rate is of the institutions in this country? Let me go to you, Ms. Johnson. Graduation rates or the profit or nonprofit status of a company, of an institution?

The CHAIRMAN. What was the question?

Senator BURR. The question is, is it more important whether an institution is for-profit or not-for-profit or what the graduation rate is of the institution, how many kids leave the door achieving the goal of why they went there? Which is more important, the graduation rate or the status of the institution—profit or nonprofit?

Ms. Johnson.

Ms. JOHNSON. Well, when I went into this school I guess my goal was to graduate.

Senator BURR. OK, I'll take that as graduation.

Dr. Mitchem.

Mr. MITCHEM. Graduation.

Senator BURR. Graduation.

Ms. Bittel.

Ms. BITTEL. Graduation is, but it's the job that follows graduation.

Senator BURR. Ms. Asher.

Ms. ASHER. Graduation rates matter, but not all graduation rates capture——

The CHAIRMAN. I can't hear you, Ms. Asher.

Ms. ASHER. Graduation rates clearly matter, but they do not capture the full extent of what's happening at schools. As my full testimony documents, there are great limitations to the official graduation rates currently collected by the Federal Government. They only cover those who enroll for the first time at the same school that they graduate from and attend full-time.

Whether or not you borrow matters and what happens after you graduate matters a lot, too.

Senator BURR. It sure does, and the lack of the ability to graduate limits one's marketability, employment opportunities, whether it's high school, whether it's 2-year or 4-year.

Now let me share with you just some quick statistics because my time is up. North Carolina has 58 4-year institutions, 58. Graduation rate after 4 years, 9 institutions exceed 50 percent; after 6 years, 22 institutions exceed 50 percent; after 8 years, 24 institutions exceed 50 percent graduation rate.

In the 2-year institutions, we have 120 of those institutions. Twenty-six institutions have a graduation rate of over 50 percent after 3 years. Twenty of those institutions are for-profit; six are not-for-profit. We have 94 institutions that after 3 years have a graduation rate below 50 percent. Of that, 88 are public institutions, not-for-profit; 6 are for-profit institutions.

As the only Republican here, let me say this is something we need to look at, the question of whether the value of what our students receive, whether it's from a for-profit or not-for-profit institution, is in fact delivered.

But let me just caution my fellow members. As our population grows, the need for outlets for continued education is going to continue to grow. Right now when we look at our returning veterans who come back with a Federal commitment to supply an education for them based upon the commitment they made to their country, the preferred choice is the for-profit institutions that are around the country that provide them the skills they need to find a job.

The wrong thing we do here not just continues this quest, that I think this committee has been on as it relates to for-profits, which is not to weed out the bad apples; I think it's to eliminate the for-profit side as it relates to public—Ms. Bittel, this is my time now; you've had your show—to eliminate the taxpayer participation for the for-profit side.

Let me just caution you: When you do that, you will be making the first step toward telling these service members that come back: No, you can only use that GI money where we say you can use it; you can't use it to go to the NASCAR 2-year institution that teaches you to be a mechanic.

The CHAIRMAN. Senator Burr.

Senator BURR. Well, Mr. Chairman, I'm the only one here.

The CHAIRMAN. I will let you. I tried to set the example by going for 5 minutes. I will let people go to 8 minutes since I had an opening statement and you didn't, so I took about 3 minutes on my opening statement.

Senator BURR. Mr. Chairman.

The CHAIRMAN. But we'll go around. We'll come back to you.

Senator BURR. No, you're gracious and I probably can't take but a few more minutes of it. I think I know what I'm going to hear.

But I appreciate the fact that you've allowed me to come and be a part of this.

The CHAIRMAN. You can stay as long as you want.

Senator BURR. I can assure you that I have built some character this morning that I didn't plan to build.

The CHAIRMAN. Obviously, stay as long as you want. It's an open hearing.

Senator BURR. But the purpose of mine was to point out, we're focused on the wrong thing, Mr. Chairman. I know you'd like to go on. Let me just make this and I'll shut up.

The CHAIRMAN. We have other Senators who are here who would like to ask questions.

Senator BURR. I hope that at some point collectively we look at the graduation rate of our students and whether they get across the goal line, getting that certificate that entitles them to a greater future, and not a witch hunt. Thank you.

The CHAIRMAN. Thank you, Senator Burr.

Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Boy. I don't know what to say. I feel like my motives have been impugned. I have no goal to de-fund from Federal money the good actors. We have Walden in Minnesota that does a great job.

We had the Ranking Member say that we treated the witnesses that were called by the minority the last time, that we treated them rudely. We had someone from DeVry here that I thought I treated—that I actually complimented them. I don't get this, I really don't. If you wanted to hear some more balanced panel, it might have been nice if the minority had actually called some folks.

I hear all this stuff about the invisible hand. Well, that all depends on informed choices. There are these enormous marketing budgets that some of these bad actors have, and we're trying to—look, when my wife was 18 months old her father died, leaving her mother widowed at age 29 with 5 kids, 4 of them girls. They all graduated from college with combinations of scholarships and Pell grants. I'm a big champion of Pell grants. But I don't want Pell grants being used in a way that is just going to waste.

We should be talking about all kinds of education, and it isn't as if we can't. The Ranking Member made a big speech and left, and he's a friend of mine, but—look, these private schools, these private colleges or postsecondary institutions, have 10 percent of the students and 44 percent of the defaults. So there's an issue here.

I, like the chairman, have done everything I can every time to fight for Pell grants, but I don't want them wasted.

So let's talk about this, the invisible hand. We heard about Adam Smith's invisible hand and that's always going to do the job. Dr. Mitchem, in your testimony you say that some low-quality for-profit colleges have the upper hand over cheaper, higher-quality programs because they have the resources to run, "state-of-the-art marketing and recruitment campaigns."

As Members of Congress, what can we do to encourage a marketplace where the competition among schools is based on the quality of the education, not the quality of marketing?

Mr. MITCHEM. Congress can do a lot of things, Senator, but I don't know if you can assure that. It's a very complex issue. The truth is that our independent colleges and our publicly supported colleges don't have the resources to compete with the marketing techniques and tactics that are used by the proprietary schools. So that will always be an uneven battle. They just can't invest the same amount of resources in the admissions.

I wish that the proprietary schools would invest more of their resources in supportive services for the students that they do indeed recruit. I wish that the proprietary schools would look to the Federal Government for more support from the TRIO program, the student supportive services program. They don't provide anything like that, which is an issue and a concern.

So I don't know if we can ever right this balance, is the bottom line.

Senator FRANKEN. Now, the TRIO programs are focused on first-generation——

Mr. MITCHEM. Exactly.

Senator FRANKEN. I was the first generation going to college. But also minority and impoverished folks, right? And TRIO does an amazing job.

Mr. MITCHEM. It's a class-based program. In fact, the majority of the students in the TRIO programs right now are white, because it's class-based.

Senator FRANKEN. Thank you.

Ms. Asher, most students who enroll in the schools analyzed in Chairman Harkin's report eventually drop out, right?

Ms. ASHER. As I understand it, yes, sir.

Senator FRANKEN. While many of these students drop out after only 20 weeks, they nevertheless rack up a substantial amount of debt. And student loan debt is uniquely damaging, a uniquely damaging form of debt, because it cannot be discharged in bankruptcy.

This year I joined Senators Durbin and Whitehouse in introducing the Fairness for Struggling Students Act, which would treat private student loans just like credit cards, auto loans, and mortgages in bankruptcies. Do you think it's unfair that student loan debt is treated differently than most other forms of debt in bankruptcy, and what effect does this have on students who default?

Ms. ASHER. I certainly do think it's unfair that private student loans are treated like unpaid criminal fines rather than like very similar forms of consumer debt like credit cards. We don't say that a credit card is financial aid when you use it to pay for tuition and books and neither are private student loans.

We strongly support the Senate and House efforts to restore fair treatment to private student loans in bankruptcy, especially because these loans can follow you not just to, but past, the grave. Very few have even a discharge provision in the case of the borrower's death.

Senator FRANKEN. I'm going to take the chairman up on his 8-minute offer.

For all of you: At the last hearing we learned that all 15 of the schools investigated by the GAO deceived students they were trying to recruit. Ms. Bittel, that's what you're talking about and, Ms.

Johnson, that's what you're talking about, right? You were deceived?

Ms. JOHNSON. Yes.

Senator FRANKEN. So isn't it our job, I would think, on our committee and our job as Senators to uncover deception so that when the invisible hand is operating it isn't an invisible hand with a card up its sleeve? I think so, and I think that's why these hearings are important.

Now, let me speak also to my colleague's point on graduation rates. Ms. Asher, are these statistics self-reported?

Ms. ASHER. Graduation rates are collected based on a pretty narrow definition of what counts. So these are Federal statistics based on what are called first-time, full-time students, and only count those who go all the way through at the same school after starting for the first time in college as a full-time student. As we all know, there are lots and lots of ways of going to college. Increasingly, people are attending in other ways.

They also don't capture transfer students, which are an important part of what we hope people are accomplishing when they——

Senator FRANKEN. Let me get to this, though, because a lot of this is self-reporting.

Ms. ASHER. The job placement rates are self-reported and that is a particular concern, as previous hearings have noted, as well as a number of investigations, including one in California.

Senator FRANKEN. OK, because when people are self-reporting you've kind of got to trust them.

Ms. Johnson, you graduated, right, or are going to graduate?

Ms. JOHNSON. No, I'm halfway through my program.

Senator FRANKEN. You're halfway through your program.

Ms. JOHNSON. Yes.

Senator FRANKEN. But you were deceived, right?

Ms. JOHNSON. Yes.

Senator FRANKEN. And as a result, you just—what you were told was that you'd be able to go to school and then do your clinical work—that's the part you're doing now—you'd be able to do it at home?

Ms. JOHNSON. Yes.

Senator FRANKEN. And be with your kids?

Ms. JOHNSON. Yes.

Senator FRANKEN. And it turned out that wasn't the case at all.

Ms. JOHNSON. No, that's not the case.

Senator FRANKEN. Do you feel you have any recourse because of this? You obviously don't because it's a whole rigmarole that would cost a lot of money and involve lawyers.

Ms. JOHNSON. Yes.

Senator FRANKEN. And you obviously are in no position to do that.

Ms. JOHNSON. No.

Senator FRANKEN. I'm over my time, so thank you.

Thank you all for testifying, and I wish we had someone from the industry who could be speaking before us today, and I'm sure we will be talking about other parts of the higher education industry.

The CHAIRMAN. Thank you, Senator.

I just would state that, in regards to our service members and what's happening there, our staff is looking into that and that will certainly be a part of a future hearing that we are already working on right now.

Senator Casey was next, but he had to leave. He'll be back momentarily. So we'll turn to Senator Merkley.

STATEMENT OF SENATOR MERKLEY

Senator MERKLEY. Thank you very much, all of you, for your testimony.

I want to throw a couple things out there just to see if any of you have had experience with it or have insight on it. The first is that we have had folks testify who were in programs, or a specific woman who was in a program, that was unaccredited. So when she went out to get a job she couldn't figure out why her particular degree didn't allow her to get a job. Finally someone took her aside and said, Well, your program wasn't accredited. It turned out she could have paid far less at a community college for an accredited program.

Should student loans be extended to programs that are unaccredited?

Ms. ASHER. This is a problem that is actually surfacing quite a bit, of people who are pressured to enroll in school, told the school is accredited, and then only later find out, sometimes after completion, that the program is not accredited, which means they're not in that case qualified to take the licensing exam or work in the field.

That's why it's important to qualify the importance of graduation rates. Aside from the quality of the information and the scope that it captures of actual students in the field, it also may not mean that someone gets the benefit of the credential they've acquired.

Senator MERKLEY. So should we short-circuit that on the front end by not allowing student loans for a program that's unaccredited?

Ms. ASHER. Certainly there's a need for greater examination of how programs qualify for Federal student aid. Some of that is happening in a regulatory process under way now at the Department of Education, and these are really important questions that need to be examined further.

Senator MERKLEY. Anyone else want to comment on that?

Ms. BITTEL. Yes, sir. I would say that they absolutely should be accredited before receiving funds. Otherwise, what recourse do the students have to find jobs? It's just outright cheating.

Senator MERKLEY. A second question I wanted to explore was, it's my understanding that sometimes the commitment that one makes when one signs up isn't just for a single term or a single semester, but often for multiple semesters, so that if a student attends, if you will, the first 13 days or 3 weeks the operator of a school can claim the funds for a full year even if somebody drops out after a couple weeks.

Have you run into that? Are you familiar with that? Do you have any thoughts on that?

Ms. BITTEL. It's my understanding, sir, that that does happen and that there is a certain time limit within, as long as the student stays within the school for that time limit, the schools are permitted to keep the Pell grants, and that there have been pressures to keep people for that 1 more day, knowing full well that then the money would be owed. But I can't speak to that directly. I have not had personal experience. I've just received letters from students who have told me of such, and admissions people who have told me of such.

Ms. ASHER. It's certainly a problem that so many students are withdrawing, often because they've begun to recognize the lack of value in the training they're being offered, while the school can still retain the full value of their Federal aid.

Just to address your previous question, certainly we should be questioning the eligibility of unaccredited programs for Federal student aid.

Senator MERKLEY. So it sounds like there is nothing I'm missing in terms of why someone who only goes a couple weeks, in other words drops out during the first semester, why should a college get the value, if you will, of being able to take multiple semesters' worth of Pell grants if they're not providing multiple semesters' worth of education? Am I missing anything on this question?

[No response.]

No, OK.

Thank you very much, Mr. Chairman.

The CHAIRMAN. You get an extra 3 minutes if you'd like.

Senator MERKLEY. You know what, why don't I defer to other folks who have questions.

The CHAIRMAN. I took 8. I said I'd give everybody else 8 minutes since I had an opening statement and nobody else did.

Senator MERKLEY. I'll defer, but I may have a few more when we conclude.

The CHAIRMAN. All right.

Senator MERKLEY. Thanks.

The CHAIRMAN. Senator McCain.

STATEMENT OF SENATOR MCCAIN

Senator MCCAIN. Well, thank you, Mr. Chairman. I'm sorry I had to leave. There's another hearing on the Energy and Natural Resources Committee that I had to attend.

You know, there's an individual that I've gotten to know over the years. We've done battle on many occasions. I have the highest respect and regard for him. His name is Lanny Davis and Lanny Davis is involved in this issue. In fact, I think he's an advocate for the "nasty" for-profit Americans. "For-profit," that alone I can see offends some on this committee.

But I think I'd like to just make some comments from Lanny Davis' piece that appeared in the well-known conservative blog, the HuffPost:

> "Suppose that a conservative Republican administration in the middle of high unemployment and economic slowdown proposed new regulations that would most hurt lower income people and minority groups and the for-profit colleges and universities that serve them. Can you imagine the cries of outrage from liberal critics condemning hard-hearted Republicans tar-

geting the most vulnerable young people in our society? Yet that's exactly what the Department of Education's proposed 'Gainful Employment' Regulations would likely do. They are almost exclusively aimed at for-profit private colleges, which are predominantly comprised of lower income and minority students.

"Let's be careful about characterizing, as some liberals have done, those schools catering to such vulnerable at-risk students with open admission policies as 'bad actors', whereas the most selective, elitist Harvards and Stanfords, with less student loan defaults, are deemed 'good actors'. That has the uncomfortable look and feel of disparate class and racial treatment—which should make liberals very uncomfortable.

"So how do you explain the paradox that, in fact, these proposed regulations are being proposed by a progressive Democratic administration and it's strongest proponents are liberal members of Congress?"

It goes on to say there are "three explanations, one less meritorious than the other." I won't go through all of those.

"First is a simple misunderstanding of the facts."

"Second is a classic example of overly broad regulations confirming the law of unintended consequences."

And the third explanation,

"A classic example of ideology trumping facts, the instinctive negative reaction of many liberals to the word 'profit' when associated with providing education. This seems uncomfortably similar to opposition by most liberals to private charter schools"

Which I have experienced myself—within urban public school districts, opposition that seems increasingly paradoxical as more and more inner city parents supported having the choice of charter schools for their children.

"The fact is, it's precisely the profit motive that causes for-profits to offer more flexible, consumer-responsive schedules and courses, such as night classes, online courses, and new curricula that are directly responsive to recent changes in the job market."

On one of the most rare occasions in my long political career, I find myself in complete agreement with Lanny Davis.

That's really what this is all about: Let's get the for-profits. Of course there needs to be action taken to stop the abuses that the chairman ad nauseam continues to point out. So we need to fix the problems. We need to make sure that there are no abuses both in recruiting and also in all of the other areas that has been pointed out in the GAO report.

But to kill off the for-profit institutions because of abuses and problems that exist—we'd be literally doing away with every branch—with every department of the Federal Government, because I've sat in hearing after hearing of abuses and misapplication and fraud and abuse, one of them as short a time ago as yesterday.

So I regret that this debate sort of exemplifies the really sharp divisions between our two parties and our two philosophies of government. Hopefully, maybe in January it seems pretty clear that maybe we will have a different agenda for this committee and the U.S. Senate.

I thank you, Mr. Chairman.

Senator FRANKEN. Go ahead, Mr. Chairman.

The CHAIRMAN. It's now my time.

Senator MCCAIN. It's great to be with you.

The CHAIRMAN. From listening to this——

Senator FRANKEN. I would love to ask the Senator a question.

The CHAIRMAN. Oh, I don't think he'd respond.

Senator FRANKEN. I'm wondering if he can hear me.

Can I just say something? Or I know you'd like to, so you're the chairman.

The CHAIRMAN. No, no, no, no.

I never anticipated that this would devolve into a political issue between Republicans and Democrats. Never in my wildest dreams did I think that. I cleared things with the Ranking Member before. We talked about this.

But I must respond to the Senator from Arizona. Is he implying politically that if the Republicans take over the Senate, that they won't do anything about the for-profit sector; they can just continue to go on like they're doing; that there's nothing wrong? I hope that's not the case. I think there's enough here that we do need to do something. Something needs to be done. We just can't continue to go on.

I'm not here to tell you exactly what needs to be done, because we haven't finished all of our investigations yet. That's why I've had a deliberate policy of not saying we need to do this or do that. I'm trying to get information and data.

I issued a report this morning, which I just put into the record. This is a report based upon information that we have gotten from the for-profit schools themselves. But it just begs to be looked at when you see the tremendous growth. When one college in 2005 had 320 students and today has 65,000 students, you've got to ask what's happening. And when you see the tremendous growth in Pell grants and student loans going to this sector, you have to ask about the business model itself and the systemic nature of this.

Are there bad actors? Yes, but are good actors being sucked into a vortex of a bad business system—a system that encourages people to go after student loans and Pell grants to maximize profits? I don't mind profits. The profit motive's fine. But over 90 percent of profits comes from the taxpayers, which is money that goes to the poor students. We have enough evidence that many of these schools are going out looking at the poor students because they get the maximum amount of Pell grants and the maximum amount of student loans.

So I have a problem when taxpayer money's coming to poor students, poor students turn it over to a for-profit institution, they don't get the supporting services they need and the help they need, they drop out, they've got the debt, the shareholders and others in the business have the profits, and the taxpayer's out the money.

This is the business model, and this is what we're trying to get our hands on and trying to figure out what it is that we need to do to straighten it out.

I'm sure Mr. Davis is a good lawyer, and he represents the for-profit industry. Fine. And there are a lot of them around this town, I can tell you that. Many of my friends that I have been friends with for a long time represent that industry, and that's their right to do so. Everyone is entitled to a good lawyer.

But I think our responsibility is twofold: one, to look at what's happening to the lowest income students in this country, what's happening to their lives; and then our obligation to protect taxpayers, what's happening to the taxpayers' money? And we let the shoe fall where it may.

We'll continue on with our hearings, and at some point we will have recommendations for doing something about this. I am not going to say any more about it in a political nature. If my friend from Arizona wants to do it in a political nature, that's his right to do so. But I'm not going to do it. I'm going to do it in the nature of our obligations as lawmakers here and representing both taxpayers and low-income students to make sure that they get value, that both the taxpayers and the students get value for the dollar that they're putting into the system.

Well, I've got about 3 more minutes left of my 8 minutes. I wanted to ask Ms. Johnson. You've come all the way here from Iowa. I wanted to ask you this. I understand that you were trying to go to Marshalltown Community College to do your nursing program there, to finish up there; is that correct?

Ms. JOHNSON. Yes. Once I found out that I wasn't going to be able to finish or do my clinicals at home, I tried to transfer to a community college which is about 15 minutes away from my home. The reason why I hadn't gone there in the first place was because I was told that it would take me longer because I would have to do my prerequisites; at Kaplan I wouldn't have to do that.

So balancing everything out, I thought by going to Kaplan and doing the commute in the beginning and being able to do my clinicals at home toward the end of my program, it would all balance out.

The CHAIRMAN. Well, what's happened? Why don't you transfer?

Ms. JOHNSON. I went ahead and I applied at the Marshalltown Community College, was accepted for the fall program, had everything lined up, except they didn't have a copy of my official transcript. So I asked Kaplan to transfer them. They said they couldn't because it showed that I owed money still.

The CHAIRMAN. So Kaplan will not transfer your transcript to Marshalltown Community College, where you can go, because you owe Kaplan some money?

Ms. JOHNSON. Yes.

The CHAIRMAN. How much money do you owe Kaplan, do you know?

Ms. JOHNSON. It was like $877.

The CHAIRMAN. You owe Kaplan $877?

Ms. JOHNSON. Yes.

The CHAIRMAN. And they will not transfer your transcript to Marshalltown Community College so you could transfer there?

Ms. JOHNSON. No.

The CHAIRMAN. That shocks my conscience. I am sorry, my friends. That shocks my conscience.

Dr. Mitchem, you wanted to weigh in on this.

Mr. MITCHEM. Mr. Chairman, we've found that again and again as we talk with our colleagues across the country, where students wanted to get out of that system, wanted to go to a community college or to a 4-year institution, and couldn't because they owed a balance with the proprietary and thus they couldn't get the transcript, and so they were stuck. This is the pattern.

The CHAIRMAN. Ms. Bittel, did you have something on this?

Ms. BITTEL. Yes, sir. In our diploma programs, the diploma programs are set up in 15 classes. Financial aid will only pay for two classes at a time. So there's always one class left over, and that means that they owe the money. They're going to have to pay that money out of their own pocket because financial aid won't pay for that last class.

Therefore, that leaves them with a balance. So if they do choose to go on from the diploma program, there's nowhere they can go. It's very commonplace to not give transcripts if money's owed, no matter how small.

The CHAIRMAN. Are you aware of this, Ms. Asher?

Ms. ASHER. I'm learning of the specific practice today, but I can also say that there's a bigger problem, even if you can get your transcript transferred, of whether or not your credits will transfer. Unfortunately, in many cases they will not.

The CHAIRMAN. Well, at the first hearing we had a student whose credits wouldn't transfer; they wouldn't accept the credits that she had gotten, and she had completed the course. But this is one that I find shocking. Transferring could get you to a community college 15 minutes from your home, so you could complete your program.

Ms. JOHNSON. Yes. They also said that if I—but it looks like if I continue and finish the program at Kaplan, I won't owe anything because I'll be taking out more loans.

The CHAIRMAN. Say that again?

Ms. JOHNSON. If I finish the program——

The CHAIRMAN. At Kaplan?

Ms. JOHNSON [continuing]. At Kaplan, then they said I won't owe anything. But in reality it's because I'll be taking out more loans.

The CHAIRMAN. Well, you won't owe any money to Kaplan, but you'll owe money on borrowed student loans.

Ms. JOHNSON. Right, right. But that's how they explained it to me, that I'll have zero balance in the end.

The CHAIRMAN. Ms. Johnson, do you sometimes feel like you're just caught in a web and you just can't get out of it?

Ms. JOHNSON. You know, I guess it just sort of came to a head. You know, I feel like I got stuck. I don't know how I'm supposed to continue on at this point.

The CHAIRMAN. Thank you.

Dr. Mitchem, I haven't had much of a chance and my time is out again, but in my next round I want to engage and talk with you about the TRIO programs and the need for low-income students who don't have the kind of resources that—you mentioned before the inequity between their bargaining positions, but the kind of support services, supporting things that low-income students need to be able to succeed in college. I would like to explore that with you, but I'll do that on my next round.

Now we come to Senator Casey.

STATEMENT OF SENATOR CASEY

Senator CASEY. Mr. Chairman, thank you. Sorry I had to run out and come back. I'm grateful that you called this hearing. I know it's a difficult day when we've adjourned yesterday.

I want to thank our witnesses for being here. Let me just say preliminarily three things, and I think it's important to make at least these three points. When we're approaching this topic—and there's a heated debate here, there's no question about that. You can feel it here, you can feel it in the audience, you can feel it in all the public comment and the news stories. But I think we've got to keep our eye on the two most important groups, at least in my judgment. No. 1 are taxpayers and No. 2 are students. After that, it just doesn't—no other group rises to that level.

When I look at the report that the chairman and his staff and others have worked on, one line among many, but there's one line that really jumped off the page. It's on page 7, talking about something we often say, public officials say it, but we need to be reminded of and actually put it into practice, and that's "to ensure that taxpayer dollars are being spent effectively on educating the students attending for-profit schools."

That's critically important. I don't think that that priority is somehow reasonably balanced with some other priority. That priority is singular and has to be the obligation that undergirds that priority has to be met, no matter what, just like it does for any other program.

The second group of Americans we're deeply concerned about here are students, what result do they get, what happened to them along the way, do they have an adequate education, are they able to pay their loans back, are they able to move on in life in a way that's productive?

Usually when you get some degree or some advancement in higher education it's a source of happiness and fulfillment. It shouldn't be in any way a terrible burden and a problem.

So that's point No. 1. Point No. 2, the report itself that we're just reviewing now in the last couple of hours really, is critically important. That's why we need witnesses to help to amplify and to explain a lot of these issues.

And point No. 3, I'd say that it's critically important—I think the chairman has tried to do this from the very beginning, as we discussed months ago in these hearings. He's worked very hard and I think others have worked very hard not to paint with a broad brush in either side of this debate, to be very specific and factual. Every allegation, every charge, has to be backed up with facts. That's the only way that we can reasonably arrive at truth or as close to the truth that we can.

So part of that is asking questions, and obviously in this hearing it's important that we have a chance to ask questions of people that have been in this field a long time.

I wanted to start with Dr. Mitchem. In your prepared testimony, I'm not sure—because I know you had to summarize, but I wanted to read from your prepared testimony the first page, which I thought were two important questions. The first question you asked was: “Do the current laws and regulations governing Federal student assistance, particularly student loans, sufficiently protect low-income students vis-à-vis for-profit schools?” That was question No. 1, a very critical question.

The second question, related thereto, was: “Are low-income students adequately protected from assuming inappropriate loan debt to attend for-profit schools?” You said that the answer to both of those questions was a resounding no. And I know you’ve answered this in one way or another, but I want to go back to it just on those specific questions.

Why is your answer a resounding “no” to both of those?

Mr. MITCHEM. Well, if we look at the experience, if we look at the record, there is absolutely no indication that low-income students who have enrolled on proprietary schools have gotten any sort of protections. If you look at the loan burdens, if you look at the success rates, it’s clear that they’re wide open to all sorts of abuses. There’s no evidence that these students are getting quality treatment. It’s not a quality opportunity. They’re not graduating at the rates that they should. When they do graduate, they don’t necessarily have the skills that are requisite to get the employment that is necessary, particularly the employment that’s necessary to overcome the massive amounts of debt that they often incur because the price differentials between proprietary schools and comparable education in community colleges, independent colleges, and public colleges are so vastly different.

So we’ve got to remember that the Federal Government is an enabler here. We’re the ones that, with taxpayers’ dollars, we’re providing the loan money. We’re providing the Pell grant money. We’re creating the situation. These people find themselves kind of being pulled in this because they want to change their life circumstances and have the same opportunities that all of us enjoy. So there’s this pull and we’ve created that situation. It’s a positive situation. It’s good. But also it’s created these opportunities because we haven’t regulated the industry or tweaked the program. I’m not an expert on financial aid or the administration of proprietaries or even nonproprietaries, but it’s clear that something is wrong.

As the chairman pointed out earlier, we’ve got to drill down, dig down, probe out, and fix the situation. It’s an intolerable situation. These people are being exploited.

Senator CASEY. Is there any—just in terms of—maybe you don’t have any today or maybe you could submit these for the record, but do you have just specific recommendations you could suggest that would help us?

Mr. MITCHEM. Well, I suppose we could start with what the administration has already proposed, which I recognize is controversial. But it seems to me they’re moving in a direction to try to put more stringent requirements on the industry where there appears to be problems. It seems to me that’s a rational response to the situation that we find ourselves in.

There may be more that they could do. But again, I’m not an expert in that regard.

Senator CASEY. I know I only have a little time left and I won't get to all four of you. But Ms. Bittel, I want to thank you for being here today. I know that's a long trip from the corner of Pennsylvania you live in. That's a long ride.

I wanted to ask you about, going back to those two basic questions that I asked about, or two basic points I made about taxpayers and students: What do you believe is the most important—or maybe it's more than one, but at least one or two—what are the most important facts that you think you can assert that are irrefutable that are most important to both taxpayers and students? Because you're obviously in a dispute here, and you've heard some of the debate here about some of your testimony. But as we try to put real facts on the table, I just want to get your sense of what are the most important facts you think we should know that focus intensively on both the priority for protecting students and the priority of making sure taxpayers' money is spent appropriately?

Ms. BITTEL. I think it's very important to spend taxpayers' money appropriately. I think the more appropriately and the more frugal we can be with that, the more we can provide to our children and our grandchildren. I think that it's not about eliminating for-profit. I could tell you—I could sit here and spend the afternoon and tell you about many good experiences that I've had. I've loved my jobs there, and I've worked with many people and I've helped many people. But I've also seen people who were not prepared for the program.

I think it's more about price-gouging. I'm not sure if you're aware, but the bachelor's student at one of our colleges racks up almost $100,000 in debt. Now, my son went to Allegheny College of Meadville. He got his master's degree at the University of Pittsburgh. He's been in school for a long, long time, and he has nowhere near the debt that somebody who's getting out with an interior design degree from the Art Institute has.

I think that it's a twofold thing. I think we need to give the taxpayers the best for their money. I don't think that the for-profits should be eliminated. I think they have a wonderful place. There are stay-at-home moms that can't go to school otherwise. There are many reasons to have for-profit colleges. I don't want to see them eliminated. I just don't think they're worth $100,000.

Senator CASEY. Mr. Chairman, thank you.

[The prepared statement of Senator Casey follows:]

PREPARED STATEMENT OF SENATOR CASEY

Mr. Chairman, thank you very much for holding this series of hearings to examine the Federal investment in the for-profit education sector. Congressional committees must provide oversight to ensure that tax dollars are spent lawfully, efficiently and effectively. Investigations like this are necessary, not for pointing fingers, but to gather information that will help us address concerns that have been raised about the use of taxpayer funds. As Senators, we're held accountable by the people back in our home States who pay taxes, so we need to look very closely at how the executive branch—in this case the Department of Education—is spending taxpayers' money.

Mr. Chairman, I disagree with those who would suggest that you or any other Senator is attempting to take down an industry, or that in holding these hearings we are acting with some nefarious intent. The document request that this committee issued to 30 for-profit colleges has yielded an enormous amount of data, and we need to take our time in sorting through it. We need to look at what the data tells us, what might be missing, and think carefully about what policy changes to make based on any conclusions we draw. At the same time, we have to remember that there are over 3,000 career colleges in this country, many of which do a great job educating their students and helping them find jobs with good wages. I would also imagine that there are thousands of employees of for-profit schools, and that many of them are proud of the institutions for which they work and the positive results for the students they serve.

But by collecting this information, Mr. Chairman, you have placed the emphasis on facts and hard data and I think that's extremely important. I hope that as we move forward, our focus will be on examining the Chairman's report and the underlying data, and that any allegations that are made are supported with solid, irrefutable evidence. We must continue to exercise our oversight role by taking a fair and balanced approach to this issue with the welfare of the taxpayers and the students as the central focus in these hearings.

The CHAIRMAN. Thank you, Senator Casey.

Senator Reed.

STATEMENT OF SENATOR REED

Senator REED. Thank you very much, Mr. Chairman. I want to commend you because you have identified a significant issue, both the impact on the taxpayer and the impact on the people who we're trying to help, students, people all across this country. I think you're trying to look at appropriate practical responses to deal with the issue and, to Ms. Bittel's comment, to recognize the value that some institutions, for-profit or nonprofit, can provide, but not to provide sort of an unchecked cash flow without regards to the benefit of students. So thank you, Mr. Chairman, for that.

Senator Casey said it very well. This is about taxpayers and it's about students.

One question I would address to all of you is that—and I think you've probably responded to it in different ways throughout the morning. But can you just give me a sense of, when a student sees that Federal funds are attached, they can get Federal funds, does that raise assumptions or presumptions in their mind that this is a quality program? Otherwise, why would the Federal Government let them borrow money, et cetera? Ms. Asher, you might start. Does that generate sort of bad or good vibes? Can you comment?

Ms. ASHER. Gladly. Certainly we've seen in the marketing materials of many for-profit colleges and heard from many students that the apparent imprimatur of the Federal Government does encourage them to invest a great deal of trust in institutions that may or may not be acting in their best interests.

Senator REED. Ms. Bittel or Dr. Mitchem or Ms. Johnson, is that your sense? Or is it just peripheral?

Mr. MITCHEM. Not necessarily—am I on?

Senator REED. I've known you a long time. You don't need a microphone.

[Laughter.]

Mr. MITCHEM. I don't need it, OK.

Not necessarily. They don't necessarily assume or presume quality. They see opportunity. Quality can be a sophisticated perception, if you understand what I'm saying.

Senator REED. Ms. Bittel or Ms. Johnson?

Ms. BITTEL. Yes, sir, thank you. I would say that the instance where I would think that that would lead to credence or lend an aura that it is a good program is in instances where the programs themselves do not have accreditation, and then they get out of the program and they can go nowhere with a job. I would think that the student, the average student, would believe that if the government's giving me money for this then it must be a good program.

Other than that, I don't know that there's that much of an impact.

Senator REED. Ms. Johnson, any comments?

Ms. JOHNSON. I would like to say, when I went into this program I was a little skeptical. I thought that what I was buying was a quick deal. I didn't know for sure that I would be getting quality and I was willing to take that risk. Like I said, I was trying to balance out everything between family and home and my responsibilities.

But now that I look back at the training that I've had, another big concern that I've had along the way is I don't believe that I've gotten quality education as far as nursing. Coming out and working into a medical field, I don't feel confident in working with people's lives. And I think about all the other students that they're putting out.

For example, like the CPR training that I had, we were complete and within a matter of hours I'm certified, but I don't feel like I would know how to perform on someone.

Senator REED. Thank you for your testimony.

Just a final question I could address to Ms. Asher specifically. We're very pleased that Brown University has produced such a talented and public-spirited person, so let me get in a plug for the home team.

We have a proposal on the table and, as Dr. Mitchem said, it has generated controversy. But I think one of the values of what the chairman is doing is that we're looking for practical ways to maximize the benefit to students, for responsible behavior on all the participants, for-profit, not-for-profit. Are there any other approaches that you are thinking of and you might suggest to us to deal with this issue of making sure that we're funding quality education that leads to real opportunities, not simply to 4 or 5 years in school with no opportunities?

Ms. ASHER. Thank you for your question, and I'm a great fan of Providence, RI.

This is a complex problem and, as I mentioned earlier, the regulatory process under way is taking on a very important piece of it.

We and many other civil rights, student activists, and consumer groups, including my esteemed colleague Dr. Mitchem, have called for the rules to be strengthened in some areas to better protect students and taxpayers.

But, as you may know, there are many different pieces of this puzzle, and these hearings are doing a wonderful job of starting to look into all of those pieces and to bring more data to bear. One issue that comes up is that there is sometimes a passing of the hat about oversight. States play a role, accreditors play a role, the Federal Government plays a role, but there are too many loopholes in that current structure.

We also have problems with data quality, as we've discussed. Reporting of job placement information, for instance, is self-reported, not independently verified. Graduation rates are too narrow, and I believe that Congress in the HEOA required the Department of Education to do something it recently did, which was convene an expert panel to come up with some recommendations for graduation rates that might better capture what's happening in the field, including some of the churn that was described today.

There are issues around the accreditation of programs, as well as schools, and also the other Federal dollars. VA and other money that's going to current active military as well as veterans, a very significant flow. There have been a number of stories and a recent hearing on that as well.

So we need to be looking across the board.

Senator REED. Well, thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Reed.

Now we go back to Senator Franken.

Senator FRANKEN. Thank you, Mr. Chairman.

I just want to point out one thing here or a couple things. Lanny Davis is a paid lobbyist, as you mentioned, for profit schools. There's nothing wrong with that, but he wrote that piece that Senator McCain quoted as part of his job. He was paid to do that, and he represents Argosy University, the Art Institute, ATI Career Training Center, Beckfield College, Bluecliff College, Brown-Mackie. That's "A" and "B," so you have some idea.

The content of that was, that we're somehow elitists, that we're comparing these schools, which have a large low-income population and minority—and he actually said it—to Harvard, and that we're elitists. Are you an elitist, Dr. Mitchem?

Mr. MITCHEM. I don't think so. No, I don't think so.

Senator FRANKEN. And the people that are in TRIO are low-income, right?

Mr. MITCHEM. They're low-income Americans, yes, sir.

Senator FRANKEN. And then this idea that we Democrats just don't like for-profit, I just love that. I worked in a for-profit industry. In fact, I got criticized during my campaign for having made a lot of money. I did it because the entities I worked for made a profit because—in fact, the entertainment industry is one of the few industries in this country that actually has a positive balance of trade. I'm very proud of that industry.

The CHAIRMAN. Agriculture.

Senator FRANKEN. Yes. As everyone knows, I was a for-profit soybean farmer, and comedian.

So it's just irritating. I just find that irritating, that they throw up that stuff all the time.

We are using the imprimatur of the Federal Government, as Ms. Asher said, and they do that to attract students. Staff at Hope Street and Lutheran Social Services, which runs homeless shelters in the Twin Cities, recently contacted my office. They expressed their concerns about for-profit colleges recruiting homeless youth who were struggling with mental health and drug issues, many of them not ready for college and who often go in and borrow, get money from the government, and end up dropping out only after amassing a mountain of debt.

Ms. Bittel, how do the colleges get away with this practice when the Federal law requires—or anybody on this—requires that their students have a high school degree or pass a college readiness test?

Ms. BITTEL. Maybe it's because the fox is guarding the henhouse. The accreditation bodies are paid for by the colleges. I mean, who's checking these people?

Senator FRANKEN. So what we have is, this is again sort of agency capture, where, yes, the people who are guarding the henhouse are in the industry and being paid by people in the industry, and Lanny Davis is being paid by the industry to make these arguments that we get regurgitated here.

During the last recess, I went to visit Walden, which is one of the oldest of these schools in Minnesota, in Minneapolis, a tremendous place. They've been in this for 40 years, before there was an Internet. They do a lot of online stuff. And Lanny Davis is talking this thing about that these for-profits adapt to the way people work now. Most of their students are getting graduate degrees. Most of them are working, working as nurses or working as teachers, teachers who are becoming principals. They do a good job.

I have nothing against for-profit. I have nothing against this industry, other than the bad actors. What we're trying to do here—and I would appreciate it if the other members would stay instead of making a comment, quoting a paid lobbyist, and then—with great umbrage, and then leaving. I don't think that's doing our jobs. I don't think our job is to sit here—Ms. Bittel, you raised your hand.

Ms. BITTEL. Yes, sir. Personally, I'm quite offended. I've put my life on the line here.

Senator FRANKEN. Yes, you basically are a whistleblower and you're in danger of losing——

Ms. BITTEL. These people don't have the courtesy to listen to what I have to say?

Senator FRANKEN. Well, many of them do have other duties, I'm sure.

Ms. BITTEL. But some of them made a grandstand play and left.

Senator FRANKEN. Or that. Well, again, we can't necessarily say whether it was one or both, one or the other or both.

Anyway, so let's talk about this advertising, marketing. In the health care bill, I wrote a provision called the medical loss ratio. In this we say that insurance companies have to spend, if they do a large group plan, 85 percent of the premiums that they get in on actual health care, and that's part of the law. They can spend 15 percent on administrative costs, on profits, and on marketing.

Is there any possibility here that—and anyone can talk, speak to this—that we can limit the amount of marketing? After all, it's Federal money. We're looking after the taxpayer here and that's what my friends on the other side who aren't here should read, because I know they'll go back and read the whole transcript of this. They should read—that's what we're talking about here, because we're talking about all these deficits and all this money that's going to these for-profits that—is there any way that we could write some regulation that you can only do so much on marketing and the rest has to go to actual education, a certain percentage?

Any reaction to that? Ms. Bittel?

Ms. BITTEL. Sir, I would say that, rather than limiting marketing, you should focus on the education and require that a percentage of the dollars be spent on education. What's left can be spent on marketing.

Senator FRANKEN. That would be one way of achieving it.

Ms. Asher.

Ms. ASHER. I think we need to look at the whole incentive structure right now and what is driving the large marketing expenditures, which is the ability to make a tremendous amount of money through Federal student aid. So it is one piece of a larger puzzle, and these hearings are bringing more and more information to bear on just the flow of funds from Federal sources and where that money's going.

Senator FRANKEN. Thank you.

I've expended my time, Mr. Chairman. Thank you.

The CHAIRMAN. Senator Casey.

Senator CASEY. I know we're running low on time. I just had one question for Ms. Asher.

The CHAIRMAN. I'm sorry, Senator Casey. Would you just withhold 1 second, please?

Senator CASEY. Sure.

The CHAIRMAN. I appreciate it.

I just wanted to respond. Senator Franken was talking about profits and profit motives. I thought I'd put on the screen the profit margins that we found—it's in our report; and for some of the 16 companies that we analyzed, total profits amounted to $2.7 billion.

But I just wanted to point out that they varied from 16 percent to 37 percent profit margins. I think that's probably even better than your entertainment industry. I don't know. I don't know what it is. I have no idea.

Senator FRANKEN. "The Titanic" did better than that.

The CHAIRMAN. I'm sorry, Senator Casey.

Senator CASEY. Sure.

Ms. Asher, I just wanted to ask you, and I know you've provided a lot of both written testimony and answers to questions, as others have. But at the end of hearings like this sometimes if we get a chance in terms of wrapping up—and I know we could be here for hours to continue it, but I wanted to ask you, in light of the concern that all of us I think have about taxpayers and students primarily, and they're the top priority, but also the concern about not painting with a broad brush and pointing out bad actors versus those who are trying to do the right thing and have a good record to establish that—what would you recommend if you had three things that you think the U.S. Congress could do to mitigate or confront directly some of the problems that have been raised in the report, as well as in other places as well: the questions about debt and there's a lot of debate about that; the question about withdrawals, people leaving schools at high numbers.

When you confront the most difficult problems here, what would you recommend as a series of steps we could take in terms of statutory or the administration maybe making regulatory change?

Ms. ASHER. As I mentioned before, I think this is a very complex issue, with a lot of incentives that point in the wrong direction and that encourage the less scrupulous institutions to misuse Federal funds at great cost to both students and to taxpayers.

I did want to take a moment to point out just one example that I think is really notable in terms of how differently students may be served at similar types of institutions even within this sector. In San Bernadino, CA, there are two for-profit campuses—one Everest College and one Concord Career College—about a mile away from each other. They serve a similar share, a majority share of Pell recipients, they're pretty similar in size, they offer very similar programs, in fact some identical programs. One, Everest College—they charge the same amount, within a thousand dollars. Everest College has a 31 percent Federal student loan default rate and Concord College has a 9 percent default rate. That tells us that there's a lot of room for improvement and for shifting incentives for colleges to focus more on outcomes for students.

I'd be happy to work with you and members of the committee on developing any number of approaches.

Senator CASEY. And I'd ask you, and I know we have time to have our witnesses submit for the record, if you could sit down and try to do kind of a match, a problem and asserting facts that support the argument or assertion of a problem, and then next to that a corresponding action that the Congress can take. I think it would be very helpful for us in terms of guidance, because we don't want at the end of these hearings and this debate not to have asked your help and others, all of our witnesses today, as well as others who will appear and have appeared. We don't want to miss the chance of having specific recommendations to deal with specific factual scenarios that set forth a real problem.

Thank you very much.

The CHAIRMAN. Thank you. Thank you, Senator Casey.

Dr. Mitchem, I said I wanted to have an interchange with you. Obviously, I know a great deal about your background and all that you've done in your lifetime. I wanted to focus again just a little bit more on low-income students who don't have the family resources, may have struggled to get through school, and when they enter school don't have the kind of support systems they may need to help them get through. And yet, when they sign up and they get recruited by a school and their courses are online and they have no supporting mechanisms to help them, how different is that than, say, a student who comes from a family that has resources, money, maybe the parents have gone to college or at least finished high school, they're middle income or upper middle income, and then that student is recruited?

The one thing I've always liked about the TRIO programs is that they gave that kind of support to kids that didn't have that at home. They've been pretty successful, I think, because they've gotten that.

But in this area, they don't get that kind of help. They're sort of out there on their own. Would you talk about that with us?

Mr. MITCHEM. Yes. First of all, we all need to understand there's a radical difference in educating and graduating a low-income first-generation student than there is a middle-income student. That difference hasn't been sufficiently recognized, in my opinion, in terms of Federal policy.

We have to understand that there are two sets of barriers. There are the financial barriers. Financial aid is absolutely essential. And there's also cultural, class, and academic barriers. Both of those issues or sets of issues have to be addressed.

One of the reasons we're having this conversation this morning, in my opinion, is that when we talk about the for-profit sector they address the financial barriers, but they have not adequately addressed the supportive services barriers. What am I talking about when I talk about supportive services? I'm talking about you have to engage these students. You have to provide intensive counseling. You have to provide mentoring, you have to provide tutoring, you have to provide learning communities. There's a variety of tactics, services, and treatments that you have to put in play to work with this individual. You have to work with them in a holistic way.

In other words, a supportive services program, if I may say so, is a surrogate parent. See, those of us who are not first generation, we got our supportive services from our parents. It was invisible and we didn't even recognize what was going on. Our confidence, our skills, our expectations, our aspirations. These students do not have those advantages, and so thus they get led into these traps and have problems and don't succeed.

Our attainment rates, as you know, Mr. Chairman, are going down in our colleges and universities. Our President, thank God, is addressing these issues with his 2020 goals. Part of the reason for that is, while we've invested billions of dollars in Federal financial aid since we initiated the EOG program in 1965, we have not kept up in any kind of proportionate way in terms of supportive services.

We know the record. We know, for example, that Pell grant recipients who do not receive supportive services do not graduate at the same rates as Pell grant recipients who do receive supportive services. We have not addressed those gaps.

So again, you're seeing it in spades when you talk about proprietary colleges, and that's part of the reason we're here this morning.

The CHAIRMAN. Let me follow up on that. We know there are millions of kids out there that have gone to these schools, they've dropped out, over 2 million in the last couple years, they have debt loads, some of them pretty significant. But we don't seem to know who they are and it's hard to find them. In our investigations, one thing kind of came through to me. I don't know how true it is, but we're going to try to get a handle on this. That is that many of these kids have signed up, they started taking an online course, they ran into problems, they didn't understand things, they didn't have the supportive mechanisms, they dropped out, and somehow they feel it's their fault. They feel it's their fault and so they're embarrassed by it. They don't want to come. They have a debt now and they think, well, other people made it through doing that and I didn't, so it's my fault.

Mr. MITCHEM. That's very common. Burton Clark, a scholar, wrote about that 30 years ago, the warehousing of these kids, where people blame themselves as opposed to recognizing that they were put in an untenable situation. And that's very, very unfortunate and very, very sad.

The CHAIRMAN. Do you know, Ms. Johnson, do you know any of your fellow students that have been with you that have dropped out of school? Do you know any of your friends who have dropped out of the school?

Ms. JOHNSON. In my program, I think we began with 22 girls and now we're down to maybe like 15.

The CHAIRMAN. And that's just in what, in how many years, in how long a period of time?

Ms. JOHNSON. Oh, that was just like 20 weeks.

The CHAIRMAN. Oh, in 20 weeks?

Ms. JOHNSON. Yes.

The CHAIRMAN. Oh, in 20 weeks it went from 22 to 15. But obviously you wouldn't know what their debt load or anything was.

But that's why when I hear about that somehow we, Senator Franken and I and others, are somehow picking on poorer students by denying them this opportunity. We see that chart that was up there, "Give Me a Chance," and we see all these full-page ads that somehow we're denying opportunity to these kids, when in fact what we're trying to do is to have a system whereby they have a better chance at having that success and what needs to be done to ensure that.

So this is not any attempt by me, at least, I don't think, and neither Senator Franken, to pick on poor kids. That's where we came from. It's to try to figure out how we utilize the tax dollars, $24 billion a year through loans and Pell grants, how do we utilize that in the best possible way to ensure that low-income kids have not only access and not only graduate, but that they have the supportive services—not only have access, but they have the supportive services that will get them through, and also not have a mountain of debt on their heads when they get through.

As I pointed out in our report here, I pointed out there's one school that charged $13,000 or $15,000 for a course that the local community college charged $520 for. Well, the response on that, the rejoinder on that might be: Well, but the community college, they don't have room for everybody. Well, maybe if we put $25 billion into them they might have room for everybody. So maybe we're looking at it in the wrong light, that we need to do more to support those community colleges.

But I just wanted to have that interchange with you on the supporting mechanisms, and that's what seems to be coming through all the time, and this idea that these students blame themselves for this.

There is one other question, Dr. Mitchem, I wanted to ask you. Are there any differences, that you believe, between the smaller schools, maybe some of the smaller for-profit or maybe those that are even nonprofit, smaller for-profit schools, and the large publicly traded ones in terms of the level of student services? And I'm probably going to ask Ms. Asher if she has any information on that, too. Are there any differences between some of the smaller schools that are for-profit and the large publicly traded ones in terms of the level of student services? Do you have any knowledge of that?

Mr. MITCHEM. In terms of my limited view, I couldn't comment on that. I really don't know.

The CHAIRMAN. I see.

Ms. Asher, do you have any observation on that?

Ms. ASHER. I'm not familiar with any data that's collected that would help shed light on that question. But certainly there are wide variations in outcomes for students at all different types of schools within the sector.

The CHAIRMAN. Ms. Bittel, I had another question I wanted to ask you and that had to do with the number of people.

What does it mean that Career Services only sees about 3,000 graduating students of 31,200 a year among 9 people? Is that right, you had nine people?

Ms. BITTEL. There are nine employees in the Career Services office.

The CHAIRMAN. Pardon?

Ms. BITTEL. There are nine Career Service advisers that service the entire student body of the Art Institute, the Argosy—Art Institute On Line, Argosy University On Line, and South University On Line.

The CHAIRMAN. How many would that be?

Ms. BITTEL. Typically, there were five advisers that worked exclusively with the Art Institute. Typically, we would have approximately 50 to 60 students in each class. We were typically working with three classes at a time.

The CHAIRMAN. Now, what does it mean that Career Services only sees about 3,000, as I understand it, out of 31,200, and they've got 9 people? Dr. Mitchem, what does this say to you, that you've only got so few people?

Mr. MITCHEM. Well, it's worse than the ratios we have in our worst public schools, where we don't have enough counselors to the number of students involved. I mean, it's an outrage. They're not getting any services.

Ms. BITTEL. I would have loved to have been able to do so much more for my grads. But there was no time. It was push them through, get the number, get the number, get the number. I heard that about 20 times a day: Get the number, get the number. Not, have you helped Sally Lou find a job in her field?

The CHAIRMAN. What did it mean to have to make your numbers? What did that mean?

Ms. BITTEL. I was required to provide documentation that 85.9 percent of all the graduates under my care were employed in field-related employment earning more than $30,000. I would ask you, sir, from an online art school in these times and in this economy and with this job market, do you honestly believe that that is achievable? That was my quota. That was my requirement, 85.9 percent in field-related jobs earning $30,000 or more.

The CHAIRMAN. I have one more thing. I understand the Art Institute has five career staff for the entire online program. Is that true?

Ms. BITTEL. That is correct.

There are two for Argosy University, all of their grads; there are two Career Service advisers for all of the grads from South University.

The CHAIRMAN. Again, I just have a question: How can so few people serve so many online students? How can they possibly do that. Do they work 24 hours a day?

Ms. BITTEL. No, we don't get overtime.

The CHAIRMAN. Senator Franken, I've used up a lot of my time and I'd be glad to yield to you for any further questions. I have a couple more things that I wanted to get out.

Senator FRANKEN. No, but I thank you, Mr. Chairman, and I thank all the witnesses for your testimony. Ms. Johnson, I wish you the very best in what you do. I want to thank you all.

The CHAIRMAN. Ms. Johnson, one last question. What upsets you the most about your experience and what do you want other current and prospective students, not just at Kaplan but others at all for-profit schools, what do you want them to know from your experience? What upsets you the most? What do you want other students that may be in your situation to know?

Ms. JOHNSON. What upsets me the most was that I was lied to. As far as all for-profit schools, I can't speak for all of them because I don't know what goes on everywhere else. But there's been many things that I've seen at the school that I go to that I don't necessarily agree with. I have talked to people that are even staff there and I've brought up this complaint about being deceived, and it seems like what I hear is, yes, they'll tell you what you want to hear. I just think that needs to stop. I feel like it's almost like you're being sold a car, but getting a lemon.

I don't know. I feel like that was my whole purpose in coming here—that's my hope, that they'll stop lying to people who are really trying to get somewhere in their life.

The CHAIRMAN. Thank you.

Ms. Bittel, I was informed of a situation that took place with your sister. Now, if you don't want to talk about that we don't have to talk about it. I was informed about it.

Ms. BITTEL. I'm fine with that. I would love to talk about that.

The CHAIRMAN. Will you tell us about that? I think that's interesting for the public record that we should know this.

Ms. BITTEL. First of all, I should tell you that my sister has had a very, very different experience than I in her time with EDMC. She works for South University as an admissions counselor and she has a great, great sense of responsibility to her students. She has a great deal of passion. She not only helps her students, but she helps everyone on the floor around her with any question, any help, anything that is needed. She works many, many, many hours.

She has kept in touch with every one of the students that she's brought on board. She checks their grades. When their grades are slipping, she calls them up and yells at them and calls them to task and says, "What's going on here? You're spending a lot of money; you need to get going on this. Come on, you can do better than that."

She embodies the best of online education, and I don't want to see online education go away. There's a lot of good in online education and she's a very big part of that.

What happened to my sister was—they've made a great deal of press about how I refused to cooperate with them. Although, yes, I did refuse to give names. I did not feel that that was—in my good conscience, I didn't want to point fingers at anyone. They have enough records to be able to tell who the bad actors were. They didn't need me.

I had reported what I had reported an entire month ahead of time, and on the morning of my son's wedding at 7:13 a.m. they called—they sent me an email essentially demanding that I appear before them and answer their questions.

The day prior to that——

The CHAIRMAN. This was on the morning of your son's wedding?

Ms. BITTEL. The morning of my son's wedding, 7:13 a.m., they expected that I should drive 100 miles to Pittsburgh, because I drive 100 miles a day to go to work. I live in a very rural area. I live in Acme, PA.

It's very difficult to find work in that small town. There is not a town; it's just a post office.

I'm sorry, I'm getting ahead of myself. They were trying to get information from my sister about me and what I had said. They had had an entire month to contact me. I had promised them that I would be completely available to them and would answer any questions that they wanted of me. And they waited until it became public knowledge that my letter had gotten out before they began to actually really do a true investigation.

They took my sister off the floor. Now, my sister's very popular with her co-workers because they love her, because she helps them all the time. That's the type of person that she is. They seized her computer. They did this publicly, in front of everyone on the floor, humiliating her, making everyone think that she had done something wrong, put her under a gag order. She wasn't allowed to tell anyone or defend herself. She couldn't speak to anyone about this.

They called her into a room. They held her there for more than 2 hours, and then sent her home on administrative leave, and she was gone for, I believe it was at least 2 days. I'm not sure if she went back to work Tuesday or Wednesday. So she was on administrative leave from Friday and Monday and perhaps even Tuesday. It might have been Tuesday that she returned to work.

All the while, not telling the employees anything about this. All the while, everyone, her co-workers, her colleagues, think that she's done something wrong. And it's all because they're trying to get out of her what she knows about what I know: What did I tell her, what have we spoken about, did I give her any names of the people that I felt were the wrongdoers?

I just found it to be an unconscionable situation, when I would have gladly given them everything but names at any point in time the prior month.

So that's the "not cooperating."

The CHAIRMAN. Well, Ms. Bittel, I just want to thank you very much for being here. I want the record to show that it was not this committee that released that letter, by the way. It did not come from here. We would not have made that public. It came from someplace else.

I just want to thank you for that. I've been there. Forty years ago this summer, I blew the whistle on some government people and I got fired from my job, 40 years ago this summer. And I've got to tell you, a member of my own party, a high-ranking Member of the House of Representatives of my own party said, "Tom Harkin will never again work in the United States Congress."

The next summer, Bill Moorhead, a wonderful Congressman from Pennsylvania, wanted to hire me for something and he was stopped from doing so by members of my own party. So that was 40 years ago, and here I am.

Ms. BITTEL. Well, I hope to live your example, sir, because at this point I do fear that I'll be blackballed from employment in the future.

The CHAIRMAN. Well, if we can be of any help we'll try. I think people who come forward with honest information and stuff at the request of this committee should not be penalized in any way for responding to the legitimate, legal, ethical inquiries that we are making of people.

Let me close this hearing by saying three things. First of all, thank all of our witnesses for being here. We'll leave the record open for 10 days.

I wanted to point out three things again for the record and for the benefit of people here and those who may be watching. In 1991 our esteemed colleague Senator Sam Nunn of Georgia had a number of hearings similar to these, on this same issue of the for-profit colleges. Out of that came really three items that were changed. First, there was a rule, a law against no incentive payments for recruiting. Second, there was a 50 percent rule that had applied to correspondence courses before, that was now applied to online courses—because there wasn't much online in 1991. The 50 percent rule said that 50 percent of students had to be campus-based and the other 50 percent could be online.

Then there was an 85–15 rule that had originated back to the Korean War GI bill, but for for-profit schools it mandated that a for-profit school could only get 85 percent of its money from the government. The other 15 percent had to come from other resources.

Well, those three things were put in the law as a way of stopping some of the abuses that were seen by Senator Nunn and that committee at that time. I was not on that committee.

Well, guess what happened. The 85–15 rule was changed later on to 90–10. Then they could get 90 percent of their money from the Federal Government. And that, by the way, does not include GI bill benefits. That's not included in the 90 percent. So, we are finding out, that some of these schools have as high as 93, 94 percent of their revenue coming from the Federal Government, when you include GI bill benefits into that. So that was changed.

For the incentive pay for recruiting, the Department of Education promulgated rules in 2001, which they called "safe harbors"—interesting phrase, "safe harbors"—which basically did away with the rule, which opened it up for incentive payments for recruiting. That started in 2001.

Then in 2005, in the Reconciliation Act of 2005—and again, if you're not an insider you don't know what a "Reconciliation Act" means. It means that we don't really get a vote on items in that. It's nondebatable, as they say. There were no votes on it. It was a big package. Slipped into that package was a removal of the 50 percent rule in 2005. So no longer did 50 percent of your students have to be campus-based. They could all be online.

We have data now, I think enough data to show that after that the amount of students going to these for-profit schools skyrocketed, not campus-based but online, because they didn't have to have 50 percent campus-based any longer.

So I wanted to just point out a little bit of that history that transpired.

The other thing I'm concerned about is that things have really gone awry. Now, no, I don't want to paint with a broad brush everyone. One of my colleagues over here said that, we're not painting with a broad brush, because there are some very good schools out there doing some good things. But what we see happening is that the system, the way it's set up, encourages people who may be good actors to become bad actors, to be sucked into this vortex.

What do I mean by "this vortex?" It's this: Because of the easy availability of student loans and that the lower income you are the more you get, and because of what we've done to increase Pell grants—and maybe I'm to blame for that. We just changed the Higher Education Act to get rid of the guaranteed student loan program and moved to the direct loan program. We saved $65 billion over 10 years, and I insisted that that be put into Pell grants for poor kids.

So we've got more Pell grants. So you have a system that says to someone who just wants to make a lot of profit: "Well, gee, I can go out and recruit all these low-income kids, maximize the amount of Pell grants they get and the student loans they get. Now I can do GI bill, now I can do military," but that's for a later hearing. Imagine my surprise to find out that a semester is not really a semester; it can be, what, 15 weeks, 12 weeks? It can be anything. How many?

Ms. BITTEL. Five.

The CHAIRMAN. Five weeks?

Ms. BITTEL. Five and a half weeks.

The CHAIRMAN. Five and a half weeks, that's a semester.

Ms. BITTEL. Well, it's a session.

The CHAIRMAN. I can't hear you.

Ms. BITTEL. I'm sorry, sir. It's 5½-week sessions, 2 of them back to back. So you are learning 11 weeks' worth of material in 5½ weeks.

The CHAIRMAN. Well, except the "semesters" are defined differently.

Ms. BITTEL. Right. But the classes, the class is really 5½ weeks long.

The CHAIRMAN. I understand that.

So they get this money in, and if they don't provide supportive services to these students they drop out. What obligation does this institution have to that student? None. They've got their money, they made their profit, huge profits, and the student's gone.

But the student has a huge debt hanging around his or her neck. And that's what really bothers—what bothers me is that we say we've gone after the bad actors, but the system has a problem that I'm looking at here, a systemic problem.

Now, there may be people out there, and there are, who don't follow that. They aren't out there doing that. God bless them. That's wonderful. But the system invites abuse. It invites abusive practices, and that's what I'm concerned about.

And they say they're for-profit. But if 90 percent or 94 percent of their money is coming from the taxpayers, what's the profit? I think of profit as you make something and you go out and people voluntarily buy it or don't buy it, or you entertain somebody and they either go to your show or they don't. The profit motive is wonderful.

But in this situation, where it all comes from the government through a very low-income student, passes through to an institution, and they're making, as my chart up there shows, immense profits, a lot more than the Standard and Poor 500 index, which is around 6 percent—they're making 30 percent, 20 percent, 19 percent, 16 percent profits.

I mean, you really have to ask about the system itself that encourages that. It takes money from taxpayers, funnels it through poor kids, goes into the for-profit school, they pay the shareholders or, if it's privately held, they keep it themselves, and 2 million students who dropped out in the last couple years have a huge debt hanging around their necks. Now, that system cries out for some kind of a resolution, some kind of fixing.

They figured out how to be profitable even when the students are not successful, and getting more money from the government. There is irrefutable evidence, irrefutable evidence, now that something has gone wrong with this industry, gone wrong. Now, I'm not saying everybody's bad in that industry. I'm just saying that the system has gone wrong.

So I intend to continue this investigation to shine more sunlight on this sector of higher education. But I intend to look for solutions to make sure that students and taxpayers are protected, students and taxpayers are protected. I'll do everything in my power to avoid and try not to get sucked into some kind of a Democratic-Republican debate on this. I mean, all of us are in politics and so when someone lobs a political argument at you the natural response from one of us is to have a political argument back. We can't go there. We just can't go there.

We've got to look at this and, as I think Senator Casey said, drill down, or someone said, you've got to drill down. I think you said that, Dr. Mitchem, drill down and get the facts and get the data, so that we can make informed decisions as to what we want to do.

I don't believe that we have learned enough at this point to draw a lot of conclusions. Some, yes, in which we see some conclusions that, well, obviously that the rate of profit margins has gone up precipitously. We know how many students are dropping out. At least we have a good handle on that. So we do see some things there. But I don't know exactly what needs to be done right now.

But we've learned enough to tell everyone here that we will be exploring legislative changes. I can assure you this committee will explore legislative changes to get this system right again, so that our lowest income students are not put in the same position that Ms. Johnson is in—it just shouldn't be happening—and to make sure that we have the kind of supportive services, Dr. Mitchem, that these low-income students need to be successful.

It's just not enough to say, "Well, we're going to give you this money, we're going to loan you this money and we'll give you this Pell grant and you're on your own." That doesn't work. That doesn't work for low-income students. They need better support services than that.

I'm sorry if some people feel that I'm saying this ad nauseam. I don't want to make anybody ill. I just want to make sure that people understand what's happening. And, as Dr. Mitchem said, we're going to drill down and get as much data and facts as we can. We will be having yet another hearing in early December. We don't have a date set yet, but we will have one more hearing in early December, and then looking at some time probably next year of coming up with some kind of legislative changes in this sector.

So if there's nothing else to add, I thank you all very much for coming here. I thank you all for what you have been doing in all your ways. Ms. Johnson, again thank you for coming here from Iowa and for testifying, and I hope you get your transcript.

The committee will stand adjourned.

[Additional material follows.]

ADDITIONAL MATERIAL

RESPONSE TO QUESTIONS OF SENATOR HARKIN AND SENATOR ENZI BY ARNOLD MITCHEM, PH.D.

COUNCIL FOR OPPORTUNITY IN EDUCATION (COE),
WASHINGTON, DC 20005,
October 20, 2010.

Hon. TOM HARKIN, *Chairman,*
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
428 Dirksen Senate Office Building,
Washington, DC 20510.

Hon. MICHAEL B. ENZI, *Ranking Member,*
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
833 Hart Senate Office Building,
Washington, DC 20510.

DEAR CHAIRMAN HARKIN AND SENATOR ENZI: Thank you for the opportunity to provide testimony at the recent hearing entitled, "The Federal Investment in For-Profit Education: Are Students Succeeding?" as well as the chance to respond to the follow-up questions below. It is my intention—through both my previous testimony and my continuing work with Congress to advance the TRIO programs—to protect the rights and interests of low-income, first-generation students as well as learners with disabilities. I hope this stance is reflected in the responses below.

Question 1. You have spent much of your career advocating on behalf of low-income Americans. As I am sure you will agree, education is one of the best ways to improve an individual's earning potential. However, tuition and fees in all sectors of higher education have risen dramatically over the past 15 years at faster [rate] than the rate of inflation. At the same time, wages for young college grads, ages 25–34 have remained relatively flat. Congress has responded by expanding Federal student aid programs, but tuition continues to rise. What should Congress be doing to address the rapidly rising cost of higher education?

Answer 1. My understanding is that one of the primary drivers of increased college costs is reduced support of public colleges and universities at the State and local levels. Given the very difficult financial outlook for so many of our States, it is unrealistic to assume a turnaround in this reality in the near term. In light of this, I believe Congress must focus on assuring that the taxpayers and the students are getting an adequate return on institutional and public investments in access.

Question 2. Secretary Duncan recently made the following remarks about for-profit schools:

> "For profit institutions play a vital role in training young people and adults for jobs and for profits will continue to help families secure a better future for themselves. They are helping America meet the President's 2020 goal and helping us meet the growing demand for skills that our public institutions cannot begin to meet alone, especially in these economically challenging times."

Given the need identified by the Secretary, how do we eliminate the bad actors while ensuring that the good actors can fulfill this needed role?

Answer 2. The implementation of rules on gainful employment and incentive compensation is a necessary start to ensuring the bad actors do not receive Federal funds to target underrepresented students. As to the question of what would constitute the most appropriate scope for the regulations, I defer to my colleagues representing non-profit public and private institutions. However, I do wish to underscore that the regulations do not seek simply to target for-profit institutions, casting all as bad actors. Rather, the rules explicitly target those institutions that fail to prepare its students for the marketplace and, subsequently, enable them to repay their educational loans.

As I stated in my testimony on September 30, I am not criticizing all of the for-profit industry. I agree with the Senators on the committee who stated that there are many worthy for-profit institutions across the country that provide excellent educational opportunities to their students. However, as a lifelong advocate and President of the only national organization whose mission is to protect and advance the educational attainment of first-generation and low-income students and students with disabilities, I believe that it is critical that the government regulate this industry to protect students against those bad actors.

By hosting this series of hearings and commissioning reports such as *Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education and The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma*, this committee is taking the vital first steps to eliminating the bad actors within the for-profit sector. It is my hope that, as indicated by Chairman Harkin at the September 30 hearing, the committee will continue its investigation and achieve an appropriate legislative solution.

Question 3. During the hearing, you discussed how many students are unable to obtain a copy of their transcript due to unpaid accounts with a school. This is a standard practice at many public and non-profit institutions of higher education. What other recourse do schools have to collect unpaid account balances? What policy recommendations do you have to address this situation?

Answer 3. I appreciate the opportunity to expand further upon this issue so as to better reflect the testimonies of the students the Council for Opportunity (COE) represents. As you state, many institutions make it a practice to withhold transcripts or other documents in instances where students have outstanding balances. Yet, unlike its non-profit counterparts, it appears that many for-profit institutions impose rules whereby a student cannot simply sign up for a single course. In consulting with low-income students who had previously been enrolled in for-profit institutions, the same theme emerged again and again. Simply, many for-profit institutions require students to register for a *set* of courses for an entire term. If students dropped out of even one course, which they often did as they arrived to the institution ill-prepared, they lost credit for the entire academic term. Once coupled with the high cost of for-profit schooling and students' inability to pay, it is easy to see how low-income students at for-profit institutions experience more difficulties in obtaining their academic records.

Question 4. In your written statement, you argue that for-profit institutions need to be subjected to greater accountability. As you know, I have been a long time supporter of such accountability in the TRIO program. The Wyoming TRIO program is a model of what I believe needs to be required of the entire TRIO program. It has done a remarkable job in providing data and tracking outcomes for its students. Given that the TRIO program is federally funded, do you believe greater accountability for outcomes should be required of TRIO program? If not, why?

Answer 4. The TRIO programs in Wyoming do, indeed, have a wonderful track record. Central Wyoming College's Upward Bound program can boast of a 95 percent high school graduation rate. The Student Support Services program at Laramie County Community College has a retention rate of 83 percent, which far exceeds the institution's retention rate for low-income students (51 percent). Meanwhile, 78 percent of students who participate in the McNair Postbaccalaureate Achievement Program at the University of Wyoming enroll in graduate degree programs. Thankfully, such successes are not unique to Wyoming as TRIO programs across the country continue to promote student access and success. This is evidenced by the data provided by TRIO programs each year to the Department of Education.

Each TRIO grant recipient is required to submit data annually to the Department of Education, outlining its progress in meeting the goals set forth in its application. This data is then factored into the grantee's score upon reapplication for continuing grant funds; thus, accountability measures are built into the TRIO grant process. Additionally, the Department of Education has embarked on numerous studies of TRIO programs and their effectiveness.[1] To directly address the heart of your question, however, COE strongly supports accountability within all federally funded programs. Such measures protect not only the students we serve, but the public dollars entrusted to our program. As such, the research arm of COE—the Pell Institute for the Study of Opportunity in Higher Education—partnered with the Pathways to College Network to produce a free Evaluation Toolkit to enable individual TRIO pro-

[1] *See, e.g.*, Bradford, C., Muraskin, L, Cahalan, M., & Rak, R. (1997). *National study of Student Support Services: Third-year longitudinal study of results and program implementation study update*. Washington, DC: U.S. Department of Education; Constantine, J.M., Seftor, N.S., Martin, E.S., Silva, T., & Myers, D. (2006). *A study of the effect of the Talent Search program on secondary and postsecondary outcomes in Florida, Indiana, and Texas: Final report from phase II of the national evaluation*. Washington, DC: U.S. Department of Education; and Olsen, R., Seftor, N., Silva, T., Myers, D., DesRoches, D., & Young, J. (2008). *Upward Bound Math-Science: Program description and interim impacts*. Princeton, NJ: Mathematica Policy Research, Inc.

grams to use data more effectively to gauge their progress and identify key "best practices" that support greater student outcomes.[2]

Question 5. Does the Council for Opportunity in Education have any ongoing relationship(s) with hedge funds seeking to short sell for-profit schools equities or individuals or organizations suing for-profit schools?

Answer 5. No. COE does not have any ongoing relationships with any hedge funds seeking to short sell for-profit schools equities or individuals or organizations suing for-profit schools.

Question 6. Does COE believe that financial literacy is important? Should efforts be made to improve financial literacy in elementary and secondary education?

Answer 6. COE recognizes the importance of financial literacy for first-generation and low-income families. In fact, one of COE's priorities is the training of TRIO personnel on various aspects of financial aid and financial literacy so that they can better prepare their participants for making informed financial decisions about college and beyond. For the last several years, the Council has provided such training at sites across the country. Most recently, we applied for and received funding from the Department of Education to continue to conduct these national trainings.

Additionally, as a result of the recent work of this committee in reauthorizing the Higher Education Act of 1965, financial literacy is now an even more integral part of the work of TRIO. HEOA explicitly incorporates a financial literacy component into each of the TRIO programs. Ultimately, we believe that improving the financial literacy of our students will lead more low-income students and families to better assess college options and make smarter decisions about the best fit for them. Such learning will also allow them to maintain an understanding of the financial aid process, loan repayment, and general money management.

I hope that the committee finds these responses to be insightful and instructive in its efforts to prevent abuses by for-profit institutions in their dealings with students. I look forward to continuing to work with the committee to ensure that low-income, first-generation students and students with disabilities are well able to achieve their educational pursuits.

ARNOLD MITCHEM,
President.

RESPONSE TO QUESTIONS OF SENATOR ENZI BY KATHLEEN BITTEL

KATHLEEN BITTEL,
ACME, PA 15610,
October 20, 2010.

Hon. TOM HARKIN,
Hon. MICHAEL ENZI,
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
Washington, DC 20510–6300.

DEAR SENATORS HARKIN AND ENZI: Thank you for the opportunity to continue to assist with your investigation. Following, you will find my responses to Senator Enzi's questions posed in your letter of October 13, 2010. I have answered these questions honestly, and to the best of my ability. I do not profess to be an expert in the field of education reform such as those who sat on either side of me at the September 30, 2010 hearing. I certainly hope you asked some of these questions of my esteemed panel members, as I am certain their expertise in some of these areas far outweighs mine.

In that regard, I note that a number of Senator Enzi's questions seemed to presume such an expertise and/or a familiarity with it; similarly, some questions seemed to call for a more purposeful, scholarly type analysis. While I will do my best to answer based upon what I have seen and experienced, let me reiterate that my testimony was based solely upon my honest observations and a deep, fundamental respect for the decency, dignity and sincerity of those who aspire to better themselves and struggle constantly to do so. In the course of my experiences, I did not anticipate the need to make any particular, itemized or systematic recount of my work history, nor to make a comparative study of these experiences relative to any research existing on the matter; rather I sought only to relay a common sense, intuitive summary of my daily experiences—the tenor and tones of which were unmistakable and pervasive, if not calculated, to lead to certain outcomes that, too fre-

[2] The Evaluation Toolkit may be viewed online at *http://toolkit.pellinstitute.org/*.

quently, were bad for both the students and the American taxpayer. Under the circumstances, Senator Enzi, I trust that you have asked these questions honestly and in that same sense of respect and decency—i.e. to seek the input and opinion of a concerned citizen, and not to demean my answers or to mischaracterize them later for any admitted lack of a more specific expertise.

Likewise Senator Enzi, and contrary to your tone at the hearing, neither my intent nor my participation thus far should be fairly characterized as uncooperative. Nor do I deserve any cheap and incurious or evasive dismissal as a disgruntled employee. Rather, you should consider the difficulties that I have endured to come forward.

I had spent the previous 3 years working in an environment where it was getting harder and harder to do an honest day's work with each day passing. The things I was being asked to do were going beyond what my moral principals felt were right. But I desperately needed that paycheck. I don't have money to invest in the stock market; I'm struggling to put gas in my 1999 VW Beetle to make the almost 100-mile daily commute to work! But my conscience would not allow me to walk away from the so many desperate individuals I came to know while in my employ at EDMC. Students with great debt and minimum wage jobs—if they had a job at all—were being pushed aside in deference to falsifying numbers. I could not live with myself if I did not speak out to try to affect change. I went to my employer in good faith, with no results.

My decision to then reach out to the Senate subcommittee was a difficult one for me to make. I had to be prepared to lose everything I own because my testimony was likely to put me among the ranks of my unemployed graduates along with many, many, many others of my fellow Americans. Additionally, I know that the big money corporations have a big stake in for-profit education. My employer via the stock market is Goldman Sachs. Their history and reputation precedes them. I *must consider* ***all possibilities*** *that might occur* should I speak on a national level about the abuses I have witnessed and felt, particularly when my adversary will be such a Goliath in the industry as Goldman Sachs and EDMC.

I was very anxious about coming before you on September 30, 2010. It is my heartfelt belief that I am risking everything to reveal to you the wrong-doings I have personally witnessed. I was not expecting to be so disrespected by the very few Republican representatives who bothered to show up to the hearing. I certainly could never have anticipated that you and your cronies would leave the room in a huff without having the courtesy to listen to what I came to say. This is not a Republican vs. Democrat issue!

*This issue will affect every American in the future if reform is not enforced! If one is not bothered by the idea of America's most vulnerable citizens being preyed upon for a multi-****billion*** *dollar tap into the Federal Financial Aid to Students monies, then* ***everyone*** *should be bothered by the idea that we will all be paying more taxes in the future to repay monies that unemployed graduates cannot!*

These schools are worse than payday loans and predatory lenders. They take our most vulnerable population—the poor and the desperate—they use as hard a sell as bill collectors do when collecting, and lure people with a promise of the most important thing to these people—a decent job—and then back it up with bogus statistics. Many of the graduates are unprepared and maybe ill-suited for the rigors of the professions even assuming there ARE jobs. It is simply not fair to mislead these people into thinking they have the aptitude and/or talents for their dream jobs, and taking their money is the biggest con of all.

As your investigation has already exhibited, these schools sucker students in with promises and lies, many fail, and now they still have no decent job, and no future, *and a debt that will never go away*. It is as, or more immoral than predatory lenders and akin to a lottery scam. If we can get over the immorality, we are left with another, and different problem, and that is the abuse and waste of Federal money needed for really educating people to obtain good jobs. There is only so much to go around (and getting less every day). If there is to be a future for the entire system, the loans need to be paid back.

This has been difficult for me to stand strong and speak up for my voice to be heard, and yet, as frightened and as lonely as the effort leaves me, I cannot, nor should you, lose sight of the basic matter of decency that is at issue here.

Indeed, please keep in mind as you read my responses, that I am representative of the average American. I am grateful for and honored by the opportunity to speak for others who cannot, for after all, the opinion of our citizenry is still the foundation of this great country. I am "Jane Q. Public." Although not an expert in the field, I did witness, and was subjected to what I believe to be abuses in one for-profit education corporation. That is the scope of my expertise. I came forward simply to provide you with the knowledge of what I had experienced so that you could take these alleged abuses into careful consideration while deliberating on what is in the best interest of students and the taxpayers who will foot the bill if students default on their loans. I don't have a vendetta against for-profit education. I simply want to see it regulated to eliminate the abuses I witnessed or to at least temper the rampant, systemic self-interest that, in my opinion, has outstripped its basic and decent goals. Whether by intent or merely opportunistic indifference, the system now is far too open to the abuse of those who rightfully dare to dream; what is at stake is not just the taxpayer's money, however, but the beliefs and the perspectives and, therefore, the inspiration of our youth and their ability to carry us all forward. My hope was only to identify the aspects of the problem that I am familiar with, ***so that a responsive and responsible Legislature would leave politics and ideology aside to openly consider that matter in conjunction with the experts and act accordingly.***

By asking these questions of me, you have afforded me the opportunity to provide common sense answers from the common citizen's perspective. Senator Enzi, since ***you*** have asked this of ***me***, it is my expectation that you will give my responses more respect than you did my testimony.

Sincerely,

KATHLEEN BITTEL.

You alleged that I was "critical of the number of staff Argosy and the Art Institute had devoted to career planning and placement" and posed the following questions to me:

Question 1. How many staff do you believe should have been assigned to career planning and placement?

Answer 1. As many as it takes to do an ***adequate and honest job!*** In my experience there were approximately 1,600 employees bringing new students into the programs, and 9 employees dealing with the end results, with each class getting larger than the last. It does not take rocket science to understand the deficiency in that poor ratio.

Additionally, these staff should be receiving a level of compensation commensurate with the service they are performing, at the very least a salary comparable to some of the top enrollment staff. If a college or university, regardless of whether they are for-profit, public, or private, is going to use these statistics as a marketing tool, then they should actually be providing the service to all who request it, and also should be paying those who provide this service with a living wage. It is simple common sense.

Question 2. On average, how many staff are assigned to career planning and placement at other Pennsylvania public colleges and universities?

Answer 2. I never professed to be an expert on public colleges and universities. I can only speak with truth, from the perspective in which I have lived. I have no knowledge of the statistics of Pennsylvania public colleges and universities as I've never had a need to. I believe there are many others, with far more expertise than I, with whom you could consult for that data.

Question 3. What steps can be taken to encourage schools to have a sufficient number of career planning and placement staff to meet the needs of their students?

Answer 3. There is only one step that matters at this point, and that is Federal Legislation! By granting the authority to the Department of Education to oversee these schools, uniform guidelines can be developed and enforced. I am aghast that the DOE does not already have this power and authority over for-profit schools! Why was that allowed to happen?

You stated that I "suggested that schools should be required to spend a minimum percentage of their revenue on education" and posed the following questions:

Question 4a. How much do you feel should be spent on education, and why?

Answer 4a. I'm not going to pretend to be an expert business and education analyst and provide you with statistics and percentages to back up my opinion. You have far better qualified experts at your fingertips with whom you can consult for those types of details. What I can offer you, about *my feelings* pertaining to the amount of money being spent on the "education" that is being delivered in many of these online programs, whatever it is . . . it is not enough. I speak from my own experience.

I did not have the opportunity to attend college right out of high school, my father told me point blank (in 1968) that he "would never waste money on educating a female, as all [we] were good for was getting married and having babies." So I did just that. I married my high school sweetheart, moved to the country, bore three children, and we lived happily ever after . . . until my husband was diagnosed with testicular cancer. Fearing the worst, I scrambled to achieve a higher education so that I could make a living wage to support my children if I had to do so alone. I earned 83 credits before my husband died. As my children were then approaching the college age, my education took a hiatus in deference to finding money for theirs.

When I accepted the initial job as "*The Assistant* Director of Admissions" I was thrilled that EDMC offered free tuition to all of their programs. I saw it as a great avenue to complete my baccalaureate as I had been studying psychology at the University of Pittsburgh, and Argosy University was also known as "The American School for Professional Psychology." I enrolled in classes the minute I was qualified to do so (an employee must have worked for 6 months to qualify for a tuition grant). Excited as I was to begin, I was quickly disappointed in the quality of the "education" that was being offered in the bachelor's program.

In one of my classes, things started out fine and for 4 weeks the lessons went well. But in weeks 5, 6, and 7 the lessons became disjointed from the syllabus. It seemed as though the programmer had worked on the design of the class, diligently completing 4 weeks of curriculum, was then suddenly told the deadline was moved up to "tomorrow". Suddenly nothing matched up. I would spend hours contemplating the reading assignment, only to discover that the homework assignment was on a completely different topic. Worse than that, the topic of the homework assignment was never discussed anywhere within the assigned textbook, nor was it addressed in the online reading assignment! The last 3 weeks of that class was nothing more than an exercise in frustration.

Within the final weeks of this class there was a lesson on the DSM–IV. For the uninitiated, the DSM–IV is essentially "the bible" of psychological study: the ultimate and most important resource. I knew of its significance from my studies at the University of Pittsburgh. I was ***mortified*** when I clicked on the link "to learn more about the DSM–IV" and the link took me to Wikipedia! Now, I don't mean to disparage Wikipedia as that site has many useful purposes, but if I am not allowed to quote Wikipedia in my homework assignments, then why should that be considered to be an acceptable link to the most important resource a psychology student has? Particularly when the price tag on the "education" rivals that of Harvard?

Trust me, for 2 years I reported this gross deficiency to ***everyone*** who would listen, and there were many, like you Senator Enzi, who did not. From the "content alert" function within the lesson to the Director of Student Services (my boss), I gave them the course number and specific lesson; no one cared. I checked that "classroom" shortly before I took my leave of absence and, at that time, there had been no changes made, including the link to Wikipedia.

The final blow to pursuing the completion of my degree in Argosy University's Bachelor's program came when my academic counselor scheduled me to take a "Statistics 2" class (they were not titled that way) prior to my taking "Statistics 1". The classes were categorized as math classes, therefore I did not understand, nor was I advised, as to the significance of the level I had entered into. I taught myself and held my own until the onset of week 5, when I knew I was lost. I contacted the newly hired facilitator who was responsible for the class, only to have him explain to me the concept of a "nominal number". That was the lesson from week 1! I knew then that if I were ever to complete my bachelor's degree in psychology, I was going back to the University of Pittsburgh to do so. It was then that I switched schools and pursued my passions in Web site design and photography at the Art Institute of Pittsburgh ground campus.

You asked me how ***I feel*** about how much is enough to invest in the actual product that is being delivered at such an exorbitant price. Common sense would say, enough to make the transaction beneficial to both parties entering into it. Nobody likes to be ripped off! It is my opinion, based on my experience in the online classroom in Argosy University's Bachelor of Science in Psychology program that even I, one who paid zero dollars in tuition but did invest a large chunk of time in my life, did not get what I paid for within this "educational" system. I feel ripped off even though I did not spend a dime.

Although I cannot offer you an exact figure as to how much more is needed, I can attest that from my experience, that not enough is being delivered for the price being charged. I did not see a focus on the quality of the education being delivered. Nor did I see adequate resolution of student problems and issues (including mine). But the worst of all transgressions perpetrated upon the student graduates is the complete disregard as to whether they are actually using the skills they paid so dearly to learn in a field-related job.

How much is enough? Whatever amount is needed to provide an education commensurate with the price being charged and to fulfill promises made at the time of admission. It is simple common sense.

Question 4b. Should this be required only of for-profits, or all institutions of higher education? Why?

Answer 4b. Absolutely this should be across the board! My opinion is that you start with the for-profits, because they are the most strife with abuse, and then you build a roadmap to reform for the others. One step at a time! ***Why?*** Because I have spent the last 8 years trying to enable my three children to complete their higher education. Higher education was not an option in our household. I forced my children into continuing their educations, because I believed that it was their best option to fully contribute to our society. My son completed his baccalaureate with honors at Allegheny College of Meadville, his MFA at the University of Pittsburgh (on a full scholarship); my middle daughter completed her baccalaureate with honors, at California University of Pennsylvania, and continued on to receive a 4.0 in her completion of the Master's of Education—Instructional Leadership program at Argosy University (on a full scholarship). My youngest daughter is a Junior at Penn State University, University Park. My point would be, I saddled my children with a huge debt to achieve this. I could not afford to pay their tuition; I'm struggling to survive on the paltry wages paid to a career services advisor at EDMC. If my children did not have access to the Federal financial aid system, they would not have been able to reach their full potential through education! ***I fear that our Federal financial aid system will follow the path of the mortgage industry and that my grandchildren will not have access to the same benefits as their parents.***

I definitely believe that my children have been overcharged for many of the services they received. I would like to see reform on the whole sector. I have no doubt that there are abuses in every college, public and private. I, as a taxpayer, call upon ***you***, Senator Enzi to ***pay attention***, find them, and fix them!

Question 5. During the hearing, you responded to a question about recruiting violations posed by Senator Franken. In your response you suggested that accrediting bodies are not doing enough to combat inappropriate behavior at for-profit institutions. Please elaborate on this statement and describe specific instances from your own experiences at Argosy University and the Art Institute where accrediting agencies failed to fulfill their legal obligations.

Answer 5. I worked for almost 3 years within EDMC–OHE, in several different departments. I ***never once*** saw a compliance team from the accrediting body checking up on what we were doing. I can only speak to what I experienced. From my experience, ***I saw no evidence*** **that the accrediting bodies were fulfilling their legal obligations to monitor in any way.**

Question 6. You indicated that you have had many good experiences with for-profit schools. Please describe several of these experiences.

Answer 6. I had one really good online class at Argosy University in Forensic Psychology. The teacher was top-notch and experienced in her field. In addition, her husband is a police officer. I thoroughly enjoyed the high quality exchange in the classroom, and learned much.

My other examples would all lie within the ground campus at the Art Institute of Pittsburgh. My admissions officer is someone I would count as a friend, as I would most of whom I met while there. We have conversed via email many times since my enrollment, helping one another in many ways. My financial aid officer answered my every need instantaneously and thoroughly. My academic advisor was not only helpful, but fun to talk with. My teachers were top notch. They went out of their way to give us what one termed as "our money's worth." I once got a response to a question at 2 a.m. on a Sunday morning! I have had a wonderful experience on campus in Pittsburgh. I learned much and had fun doing it.

Question 7. Please describe the process you followed as a career services advisor to report job placements, including the review process by managers.

Answer 7. First, you must understand the hierarchy. I reported to two supervisors who both reported to the head of the department. My immediate supervisor monitored ***everything*** I did, to the point of micromanagement. This person made constant "suggestions" as to how to convert the graduate into a statistic. I followed, as best I could in good conscience, the suggestions, and when it was deemed to be "enough" as per the opinion of my immediate supervisor, it was then submitted to the next level supervisor for acceptance. This second level supervisor was the "gatekeeper." Because this person had to sign their name in acceptance, and more importantly, because this person is also an honest individual, it was tough for me to "sell" placements that I did not in my heart believe were worthy of the status of a genuine job placement, but I was forced to try many times.

Next, you must understand my personality through which I dealt within this environment. I am an inherently honest person, I have never been any good at lying. I largely gave that up as a teenager, the truth is so much easier to remember. Occasionally, life presents us with situations where it is impossible not to lie, (Does this outfit make me look fat?) but even then I stutter and stumble for words, so for the balance of my life I have always sought the truthful path. I can be a great salesman if I believe in the product, but the minute I am disillusioned, I'm done. I could not defend these questionable submissions to the second level supervisor because I never believed they should count as placements in the first place. I was merely following directions imposed upon me. So when things were questioned, I backed off rather than to try to lie. But, it might surprise you to know, that not everyone in this world is so concerned with the truth and that some actually find it quite easy to lie! Those individuals had their stories and documentation strategically specific before they got to the gatekeeper and when questioned, had no difficulty in looking her straight in the eye and saying whatever was needed to get the submission approved.

The third level of review was at the corporate level. We had quarterly closeouts when the placements were tallied into statistics for the students who had graduated 6 months prior. We "closed out" their files and put them away in a common filing cabinet, regardless of their true employment status. On this day "specialists" from the corporate level asked many questions about the placements. The day of closeout was pure hell for some, as we were held accountable for the graduates we had "placed". I was not often asked many questions on those days as my submissions were solid. But I did, at times, watch some coworkers scramble all day long to answer a multitude of questions.

Question 8. Did you ever have submissions regarding student job placements rejected or questioned by your supervisors at EDMC? Without disclosing identifying information about individual students, please describe why any of your submissions were rejected by EDMC management.

Answer 8. I did submit several students for approval, against my wishes, but always at the direction and insistence of my immediate supervisor. I have had approvals withheld pending more information. One such student, a Residential Planning Diploma graduate, worked as a package handler on an assembly line earning minimum wage. The student had provided an unsolicited suggestion to his employer advising how to redesign the flow of their production to save costs. The graduate stated that his redesign saved his company 30% in costs by this new work-flow. Although the graduate was employed at the time of graduation, he had subsequently quit the job when he was not compensated nor recognized by the company for his volunteered suggestion.

At the time of submission, the graduate was unemployed and looking for work. I was instructed to submit the graduate as employed in his field, relating the volunteer redesign as a field-related task. It did not matter that the graduate was no longer employed in any way, as he had worked at least 1 day following graduation so he could be counted as employed. The submission was rejected at the second level. I was told to go back and research the Web site of the former company of the graduate, and to find proof that the job description for a package handler included a requirement for space planning skills and then it would be accepted.

Question 9. Please provide any copies of company policies or other documents to substantiate the claims made in your written and oral testimony.

Answer 9. Actions speak louder than words. Senator Enzi, if you think for a minute that any of these pressures were voiced via the written word then you are naïve as to how Corporate America really works. I did not take a leave of absence from my employer with the intention of testifying before the Senate. I did not stockpile information prior to leaving, in anticipation of your follow up questions. Any documentation that I may or may not have, I am certain, would be considered proprietary in nature by my employer. I went, in good faith, upon the words of John Kline in a recent "All Company Meeting," and reported the wrong-doing I experienced to my Human Resources Department. John Kline, president of EDMC–OHE, stated over and over again in that meeting, "If it doesn't feel good, then you shouldn't be doing it." I trusted he was sincere in his words and believed when I took my leave that the company would take care of the problem.

In my exit interview with the director of Human Resources, I provided answers to all questions except that I declined to provide names. It is my belief that since they can track our every keystroke and monitor our every call, that ***if they looked***, they could easily find the transgressions and the transgressors. Common sense says that all it would take would be a phone call to each graduate to confirm the information in the documentation. If each advisor had an average of 50 students in their care, and there are 9 advisors, that would be approximately 450 calls. EDMC expects their admissions staff to make 400 phone calls a day . . . what's so hard about 450?

Let the guilty parties be found by the proof in their files. The identity of the co-worker who taught me how to cheat is widely known to my supervisors, as well as, to the department head. I had reported the misconduct immediately upon it being shown to me early in my time in that department; at that time I did reveal the name of the perpetrator. Based on conversations I have had over the years, many people within the management at EDMC know the identity of this person, and have known for years.

I did provide documentation to the director of Human Resources, but said documentation includes personal information pertaining to the students. I would prefer if you obtain this documentation directly from EDMC, or obtain their permission for me to release it to you. I do not believe it would be proper of me to release this personal information about students without a directive from my employer.

It was not until 3 weeks following my whistle-blowing to the director of Human Resources at EDMC that I contemplated contacting the Senate subcommittee. The window of opportunity to speak to the subcommittee was rapidly closing. I saw no evidence that my claim was being taken seriously by EDMC.

I had not received any follow up calls or questions from my employer and the most egregious and well-known perpetrator of these questionable tactics was, to the best of my knowledge, still employed there. I felt a moral obligation to speak from my heart about my personal experiences. So I reached out to you for help. But Senator Enzi, you refused to listen to me! Consequently, I must question your true motivation for your sudden interest in what I have to say now. However, since you have asked the questions, it is now incumbent upon me to give you my honest answers.

Finally, to address the only time that I refused to cooperate with EDMC: after no attempt had been made to contact me with follow up questions for more than a month, I received an email from the director of Human Resources at 7:13 a.m. on the morning of my son's wedding. I was essentially instructed to submit myself for questioning over the weekend, "Monday at latest." At that time, 268 of my closest family and friends were traveling from all over the country to a remote little meadow on a mountaintop, where we experienced one of the greatest days of our lives. ***Pardon*** me if EDMC's lack of planning did not constitute an emergency on my part! Too little, too late. They had their chance and they, like you, did not listen to what I had to say.

Question 10. Are you aware that EDMC has an anonymous hotline to report suspected conduct?

Answer 10. I am only vaguely aware of the existence of said hotline. In all honesty, the only time I remember hearing of its existence was in the context of office gossip about an alleged sexual misconduct. I thought it was used for personal issues such as sexual misconduct and never pursued further information about it. My employer may or may not have sent emails and/or posted Web sites, but if they did, it was in a manner that was not noticed by me. I was too busy trying to find time to actually help my graduates, I didn't have time to read all of their many promotional emails. I thought I was doing the right thing by following the chain of command upwards to the Human Resources director.

Question 11. Did you ever use that hotline?

Answer 11. No, as per reasons stated above.

Question 12a. You quoted me as saying, "More focus should be put into researching and developing programs in those sectors where jobs will be needed in the future, and the training should be being developed in those areas and not the 'easy sell passion fields' "—Kathleen Bittel

Please describe what fields and programs you believe will be needed in the future and the basis of your conclusion.

Answer 12a. Again, let me remind you that I am not here to provide expert testimony on any of these points. Since you've asked for my opinion, then I can only address your questions through what I saw and learned while employed at EDMC. My job entailed searching the job markets for ever-changing demographics, nationwide. I have done so for approximately 18 months. Although I generally searched for specific art-related jobs, oftentimes my graduates lived in remote areas so I re-searched all jobs in a wide radius of their zip codes. I noticed many trends in a variety of cities by repeated searching of the job postings.

I saw many genuine job opportunities that remained posted for many weeks. I would look curiously at those ads to see what the employers were looking for because I was puzzled as to why, in this economy and jobless rate, were they not finding a qualified candidate? I noticed a pattern in these unfilled job openings, they all required a very specific training, one that apparently was not commonly out there, certainly nothing my schools were offering.

I am not an expert in this field. I do not have a crystal ball to tell you what the trends of the future might be, but I *can* tell you this . . . ***if you truly want to know what is needed in future education, look at what is being asked for in the genuine job opportunities being posted.*** If you isolate every ***genuine*** job posting that has been posted for longer than 2–3 weeks and investigate what they are looking for, compile your data, then you'll have your answer.

Question 12b. Please describe what you mean by "easy sell passion fields" and the basis of your conclusions that they will not be needed in the future.

Answer 12b. You need to understand the true nature of Artists to understand a passion field. I have a passion for photography and Web site design. I chose to spend an exorbitant amount of time pursuing further education at the Art Institute because I so desired to know more about these fields. Will I ever make any money in either of these fields? Probably not, but I wanted the knowledge anyway, and I had free tuition through my employer. I had a passion for it. It is important to note, where I spent excessive time, the students who are in these programs are spending excessive time ***and money.***

America is blessed with many talented and passionate people. One can be very passionate about their art, but that does not necessarily equate into true talent in the field. The Arts have never been an easy cash flow stream in America. One must be truly talented to rise to the level of a good income. **I would *never* conclude that *any* area of the Arts would not be needed in the future!** In fact, I would call out to America to embrace our artistic talent and support them to eliminate the "starving artist" syndrome that is so prevalent in this arena!

What I mean by "easy sell" is that there are no portfolio requirements for admission to the Art Institutes. In a traditional art school, one must prove via a portfolio of their work, that they have the talent and ability to complete the program prior to admission. From my perspective, it seems to me that all one needs is a pulse and the ability to tap into the Federal Financial Aid system to be admitted to the Art Institute Online. It is easy to sell something that is passionately desired by someone. Artists are passionate people. They ***dream*** of being able to do something with their art. These programs are selling dreams and not the reality of how difficult it is to find gainful employment in the Arts. These programs are over saturating these markets with minimally talented artists by these sales tactics. Moreover, when these students complete their degree, it has been my experience that the graduates are not truly helped to find employment that is, in fact, within their field of study.

Case in point: update on the situation of "the Toys R Us kid." Since my leave from the department, it has been suggested to him by the Career Services Department at EDMC that he apply at *Target* or *Best Buy* for a job. I wasn't aware that either of those firms included a video game design department in their corporate structure. This individual is a talented artist, one of the best I have seen in my time in Career Services. He is now struggling to repay his Federal loans and is making regular payments on them from his $8.30 an hour job.

Allow me to digress for a moment to point out that I had erroneously reported $8.90 per hour as his wage, when it is actually $8.30 per hour. He has been with this company for at least 8 years!

To continue on my point: he reports that the private loan company(ies) is/are now hounding him with collection calls for their money. He has no more to give them. He was advised by them, that all he needed was a letter on the Art Institute letterhead stating that they were working with him to find a job and they could arrange a temporary forbearance for him until he found one. Despite repeated phone calls and emails, the Career Services Department at EDMC has yet to comply with his simple request.

Question 12c. What available Department of Labor and Department of Education resources, including data bases, have you used to help address this concern?

Answer 12c. Is this a trick question? Senator Enzi, don't you get it? I am Jane Q. Public who has come forward to voice my concerns about the abuses I have seen and felt within this corrupt system. What would make you think that it is incumbent upon me to research Department of Labor and Department of Education resources to find a solution to this debacle? Is that not ***YOUR*** job?

I call upon you, Senator Enzi, to do the job your constituents entrusted you with! I would extend that challenge to your cronies, Senators Burr and McCain, who were equally disrespectful of my testimony. From a private citizen's point of view your ridiculous political posturing is boring and enraging at the same time. No wonder so many Americans tune out instead of paying attention to the important issues that will ultimately affect them deeply! Instead of vehemently protecting the for-profit industry without looking at the evidence, should you not be evaluating ***every*** piece of evidence within your reach to come to a responsible conclusion? Is it not your sworn duty to protect American citizens from the predatory practices of mega-corporations? Particularly if there exists a possibility that these predatory practices could indeed cause the eventual collapse of our Federal Financial Aid for Students program ***and subsequently cause higher taxes to be imposed upon the American taxpayer?*** Do you ***sincerely*** believe that these activities should be allowed to continue unchecked? Have you taken the time to understand the issues at hand?

Senators Enzi, Burr, and McCain, have you contacted students and graduates in your home States of Wyoming, North Carolina, and Arizona to listen to their opinions on this topic? Aren't they the people you are sworn to represent? It would appear, in my experience, that your actions and words speak loudly as to whom you truly represent. In your defense, "you guys" have given citizenship privileges to these mega-corporations, so perhaps these are the only "citizens" of concern to you now?

It is my hope and belief that many Americans are giving my observations more attention and respect than you, Senators Enzi, Burr, and McCain, have done in the past, therefore I call to them in this public message for a restoration of sanity in America. Am I the only one who thinks it is insane for any human being, much less an elected official entrusted with our representation, to coldly turn their backs on the reality that countless numbers of lives have been forever changed for the worse by these predatory practices?

Your previous histrionics as exhibited in the hearing held September 30, 2010 have left me less than confident that you will genuinely consider any of my continued testimony. Therefore, since you have opened the door for me to speak, on the record, to the American citizens whom I stand strong to represent, I choose to now speak directly to my fellow citizens:

Pay attention, America! Although I represent many of you in my quest for a solution to these immoral practices being perpetrated upon our most vulnerable citizens, the rest of you need to speak up! Pay attention to these issues that will most definitely affect you and your loved ones in the future! Call your representatives in the Congress and Senate and tell them what you think! All of their phone numbers are posted on the Internet; it only takes a simple phone call to make a difference.

America! Don't simply vote Republican or Democrat this November! Pay attention to what the candidates are ***actually doing*** with their opportunity to represent you! Vote based on whether or not you believe the person is capable of truly doing good for our society, not based on the commercials and advertisements you are being bombarded with . . . most of those are nothing more than smear campaigns and political posturing regardless of the political party paying for the ad. It is time we interject some common sense, common citizen wisdom into the leadership of our country!

Speak up, America! Rally for Sanity in America! Not everyone can travel to Washington, DC on October 30, but I'm pretty sure that most of us can make a phone call. Gandhi said, "We must be the change we wish to see in the world." ***Be that change!***

In closing, I would like to thank Senator Harkin for facilitating the delivery of Senator Enzi's questions, and for his trust in me that I am indeed all that I profess. I would most sincerely like to thank Senator Enzi for giving me the opportunity to share my common sense opinions for solutions to the problems at hand. If Senator Enzi feels the need to consult with me again in the future, I would welcome any questions he may have for me. Contrary to the malicious innuendos being made about my willingness to cooperate, I have never denied any reasonable request. I would like for that to be duly noted as a matter of public record.

Sincerely,

KATHLEEN BITTEL.

RESPONSE TO QUESTIONS OF SENATOR ENZI BY LAUREN ASHER

THE INSTITUTE FOR COLLEGE ACCESS & SUCCESS,
OAKLAND, CA 94612,
October 27, 2010.

Hon. TOM HARKIN, *Chairman*,
Hon. MIKE ENZI, *Ranking Member*,
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
Washington DC, 20210.

DEAR SENATOR HARKIN AND SENATOR ENZI: Thank you once again for the opportunity to testify last month on the high debt and default levels for students who attend for-profit colleges, and the need for greater oversight of the for-profit education industry to protect the substantial interests of both students and taxpayers.

Please find attached my responses to Senator Enzi's written questions, for inclusion in the record. I have also submitted them electronically to Terri Roney and Christopher Eyler, per your request.

I look forward to answering any other questions you may have.

Sincerely,

LAUREN ASHER.

Question 1. Your written testimony discusses at length the burden of student loan debt. Over the past 15 years, tuition and fees in all sectors of higher education have increased far faster than inflation. Congress has responded by increasing Federal loan limits and the maximum Pell grant. However, tuition and fees continue to rise and students are forced to take on increasingly more debt. Expanding Federal student aid is not the solution to college affordability. Therefore, what other steps can Congress take to address the rising cost of higher education?

Answer 1. While college sticker price tuition and fees have been rising faster than inflation for some time, Federal student aid as well as other sources of student financial assistance from States and colleges can and do help many students and families afford college. The College Board has found that, on average, net prices have risen much more slowly than sticker prices, especially for lower income students at public and private nonprofit colleges.[1] Research has found that grant aid supports college participation, and that increases in Federal grant aid do not lead to increases in college costs.[2] However, experts have raised concerns about the effectiveness of Federal student loans and the impact of higher Federal student loan limits on college pricing.[3]

About three quarters of all undergraduate students in the United States attend public colleges and universities, where changes in tuition are driven primarily by State budgets.[4] In addition, both State and college financial aid programs and policies can affect what students actually pay. As shown by our most recent annual report on student debt levels, there is very wide variation in the average debt of 4-

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[1] See Figures 8 and 9 in The College Board, "Trends in College Pricing 2009," October 2009, *http://trends.collegeboard.org/files/2009___Trends__College__Pricing.pdf*.

[2] "The Effectiveness of Financial Aid in Improving College Enrollment: Lessons for Policy," by Bridget Terry Long, Harvard Graduate School of Education, NBER, and NCPR, January 2008. Available at *http://gseacademic.harvard.edu/- longbr/Long__-__Effectiveness__of__Aid__-__Lesson__for__Policy__(1-08).pdf*. "Costs, Prices and Affordability: A Background Paper for the Secretary's Commission on the Future of Higher Education," by Jane V. Wellman, 2006. Available at *http://www2.ed.gov/about/bdscomm/list/hiedfuture/reports/wellman.pdf*. And "A Crucial Safety Net," by Patrick M. Callan, president of the National Center for Public Policy and Higher Education. Published in the *New York Times*, February 3, 2010 and available at *http://roomfordebate.blogs.nytimes.com/2010/02/03/rising-college-costs-a-federal-role/*.

[3] "The Effectiveness of Financial Aid in Improving College Enrollment: Lessons for Policy", by Bridget Terry Long, Harvard Graduate School of Education, NBER, and NCPR, January 2008. Available at *http://gseacademic.harvard.edu/- - longbr/Long__-__*Effectiveness__of__Aid__-__Lessons__for__Policy__(1-08).pdf. "Class Differences," by Arthur Hauptman. Published in the *New York Times*, February 3, 2010. Available at *http://roomfordebate.blogs.nytimes.com/2010/02/03/rising-college-costs-a-federal-role/#arthur*.

[4] Kane, Thomas, Peter Orzag and David Gunter, "Spending: The Role of Medicaid and the Business Cycle," The Urban-Brookings Tax Policy Center Discussion Paper #11,The Urban Institute, May 2003, *http://www.urban.org/UploadedPDF/310787__TPC__DP11.pdf*. Percentage of undergraduates at public institutions from calculations by The Institute for College Access & Success on data from U.S. Department of Education, National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), *http://nces.ed.gov.ipeds*.

year college graduates from State to State and college to college, even among schools with similar sticker prices.[5]

To help keep college within reach for families of modest means, need-based grant aid is essential. Even after the recent historic increase, which has helped millions of students enroll and stay in college during these tough times, the maximum Federal Pell grant covers only about 35 percent of the average cost of attending a public 4-year college. Congress should preserve and build on the Pell grant increases enacted earlier this year, and also consider ways to encourage States and colleges to help increase the total amount of need-based aid available to low- and moderate-income students. The share of State grant dollars that are distributed based on financial need has been declining for more than 20 years.[6] Even at public colleges, less than half of all grants to their own students go to meet financial need.[7] Congress should also be wary of proposals to increase Federal student loan limits, since, as noted above, such steps may actually contribute to price increases.

Making college-level data on costs and student debt more accessible, comparable, and transparent would not only help students and families make more informed choices, but also help researchers and policymakers identify both promising and worrisome trends and practices. Some colleges, particularly in the for-profit sector, do not even disclose prices on their Web site. Congress should ensure that all colleges disclose the cost of attendance for each of their programs in a prominent, clear, and conspicuous manner, and in a format that is easily comparable across institutions. In addition, as noted above, there are lots of colleges that are more affordable than their sticker prices indicate. It should not be so hard for students and families to find out what it might cost someone like them to attend a particular college, and to make apples-to-apples comparisons with likely costs and debt at other schools. As part of the Higher Education Opportunity Act, Congress required colleges to disclose campus averages for net price and to provide net price calculators for students to get individualized estimates. The calculators become mandatory in October 2011, and they are required to provide prospective students with a clear estimate of what costs they would still have to cover—through work, savings, or loans—after subtracting likely grant aid from the full cost of attendance. However, there are already signs that some schools and calculator developers are emphasizing a different definition of net cost or "out-of-pocket cost," which deceptively emphasizes the cost to the student after work study and various types of loans.[8] Congress should send a strong signal about the purpose of the net price calculators and ensure that they are working as intended.

Congress should also support the Federal collection and dissemination of student debt data at the college level, including information on both Federal and nonFederal student loans. The only college-level data currently available for cumulative student debt are from privately conducted, voluntary, unverified surveys. Please see our report reference above, *Student Debt and the Class of 2009*, for specific recommendations for improving the amount and quality of student debt information available to the public and policymakers.

Question 2. Congress enacted a number of changes in the Higher Education Opportunity Act to address many of the problems you raise in your testimony. What additional changes would you suggest to address those problems?

Answer 2. As noted in my testimony, the Higher Education Opportunity Act (HEOA) substantially weakened the 90–10 rule for title IV student aid. It allowed for-profit schools to immediately count institutional loans towards their minimum required 10 percent of non-Federal revenues, rather than counting them as they are repaid; allowed schools to count some Federal title IV aid on the non-Federal side of the ledger; and eased penalties for proprietary institutions that fail to comply with the 90–10 rule. To provide a more meaningful measure of defaults and increase college accountability for student outcomes, the HEOA did increase the time period covered by Federal student loan cohort default rates from 2 to 3 years after borrowers enter repayment. However, this improved measure does not go into effect until 2014.

To better protect students and taxpayers from undue risk and unacceptable practices in the for-profit sector, such as those uncovered by the U.S. Government Ac-

[5] "Student Debt and the Class of 2009," Project on Student Debt, The Institute for College Access & Success, October 2010. Available online at *http://projectonstudentdebt.org/files/pub/classof2009.pdf*.

[6] Trends in Student Aid 2009. The College Board. 2009. Available online at *http://www.trends-collegeboard.com/student_aid/*.

[7] *Ibid.*

[8] "A First Look at Net Price Data," by Matt Reed, Institute for College Access & Success. Available at *http://views.ticas.org/2010/08/a_first_look_at_net_price_data.html*.

countability Office and in this series of oversight hearings, the Department of Education should swiftly finalize and fully enforce rules restoring the statutory ban on incentive compensation and implementing a strong definition of gainful employment for career education programs, as supported by a broad range of student, consumer, higher education and civil rights organizations.[9] Policymakers should also quickly move forward on three additional fronts to help increase accountability for institutions and outcomes for students and taxpayers. One is to improve the quality and consistency of Federal data on student outcomes, including graduation, completion, and job placement for career education program. Another is to improve the accreditation and State oversight of for-profit colleges, including reducing conflicts of interest in accreditation and the ease with which colleges can acquire another college's accredited status; addressing the problem of accredited schools offering unaccredited programs (as discussed in hearings and in my testimony); and ensuring that States have adequate and sufficiently independent mechanisms in place to both catch and prevent fraud and abuse. Finally, Congress should better align Federal funding and incentives with desired student outcomes, by either strengthening the 90–10 Rule or putting a stronger and more effective mechanism in its place to protect both students and taxpayers.

Question 3. Debt, default and low completion is a problem for many students attending traditional institutions of higher education. Why shouldn't the Department's proposed Gainful Employment rule also be applied to all institutions of higher education?

Answer 3. The Department's proposed Gainful Employment rule does, in fact, apply to public and non-profit colleges. Federal law specifies which career education and training programs are required to "prepare students for gainful employment in a recognized occupation" in order to participate in Federal student aid programs. Covered programs include most for-profit programs and all public and non-profit programs of less than 2 years. According to the Department of Education, the majority of covered programs are at public colleges, and the rule applies to more public colleges than for-profit colleges.

Question 4. The Department of Education received 90,000 comments on its proposed Gainful Employment rule. The National Black Chamber of Commerce recently ran the following ad in the *Washington Post* and *Roll Call* (chart). In it, they project that the Department of Education's proposed Gainful Employment rule would result in 400,000 students leaving postsecondary education each year. Many of the traditional institutions of higher education have stated that they do not have the capacity to handle a higher volume of students. What other options are available to students who now currently attend for-profit programs?

Answer 4. The projection that 400,000 students would leave postsecondary education because the rule comes from a study commissioned and paid for by Corinthian Colleges, a for-profit college company which opposes the proposed rule. The study's projection is based in large part on its assumption that "capacity will often not exist to absorb . . . the displaced students" in the for-profit college sector.[10] However, this assumption is inconsistent with the industry's well-documented ability to rapidly expand its capacity, and the fact that most for-profit programs would remain eligible for Federal funding. The proposed regulation is designed to create incentives for schools offering low-quality or over-priced programs to improve them and/or expand programs that are better preparing students to repay their loans.

The Department of Education's Notice of Proposed Rulemaking (NPRM) projects that between 16,000 and 32,000 students would not continue their postsecondary education.[11] A recent study by Education Sector, an independent non-profit think tank, concluded that the proposed gainful employment rule would likely force even fewer programs to close (4 percent) than the NPRM projects.[12] In addition, these estimates may overstate the impact of the proposed rule since colleges will have time to improve their programs before the rule goes into effect.

We and a large coalition of advocates for college access, civil rights, students and consumers believe that a strong definition of gainful employment is one of the best ways to increase student access to quality, affordable education and training. That

[9] *See http://protectstudentsandtaxpayers.org/?page_id=215* for a list of organizations that have called for a strong gainful employment regulation.

[10] The Parthenon Group, "Assessment of Missouri Estimate of Impact," September 9, 2010, p. 7, and "Parthenon Perspective on Missouri Gainful Employment Estimates," September 2010.

[11] Notice of Proposed Rulemaking, Federal Register, Vol. 75, No. 142, July 26, 2010, page 43632.

[12] "Are You Gainfully Employed? Setting Standards for For-Profit Degrees," Education Sector, September 2010.

is why more than 40 organizations, including the U.S. Student Association, Council for Opportunity in Education, NAACP, Rainbow PUSH Coalition, National Council of La Raza and LULAC, have called on the Administration to issue a strong regulation and/or submitted comments in support of a strong regulation.

Question 5. You indicated that there are great limitations in how the Federal Government collects graduation rates. What are those limitations? How can the Federal Government better capture the true number of students completing their course of study?

Answer 5. As currently collected and reported, official graduation rates capture outcomes for only a portion of students who enroll at a given college. These graduation rates include only full-time students who are new to postsecondary education, are identified by the institution to be seeking a degree or certificate, and, for most colleges in the country, first enrolled in the fall term of the academic year. That means that students who enroll part-time, are transfer or re-entry students, or even first enrolled in the spring term are generally excluded. An additional limitation of the current rates is that they are self-reported by institutions.

Congress highlighted the need for more robust graduation data in the Higher Education Opportunity Act. As required by Section 485 of the HEOA, the Secretary of Education has created an expert Committee on Measures of Student Success to develop recommendations on how to better document student outcomes at 2-year colleges.[13]

More comprehensive means of tracking outcomes could include looking at different points along a continuum to gauge students' educational trajectories. For instance, all students who enroll in a college in a given year are either still enrolled at the end of the year or have left the institution due to graduation, transferring to another institution, or dropping out. Looking at the outcomes of students who left the college at some point within a given time period, such as an academic year—as opposed to still being enrolled at the end of the year—would provide a better sense of how many students left the college with a credential in hand and how many left empty-handed.

Question 6. During the hearing, you raised the issue of transfer of credit. This is a problem throughout higher education. What can be done to encourage transfer of credit between institutions?

Answer 6. While we are not experts on transfer of credit issues, we recognize that eliminating unnecessary course duplication through appropriate recognition of previous academic work would allow transfer students to graduate sooner and reduce costs and risks for both students and taxpayers. While this issue is relevant to students at all types of institutions, there is reason to believe that it may be more problematic for students who seek to transfer from for-profit to public or non-profit colleges. For example, many for-profit colleges are nationally, not regionally, accredited, and credits from nationally accredited institutions are much less likely to be accepted for transfer. For recommendations about what can be done to improve the transferability of credit, we recommend contacting the American Association of Collegiate Registrars and Admissions Officers.

Question 7. Does TICAS have any ongoing relationship(s) with hedge funds seeking to short sell for-profit schools equities or individuals or organizations suing for-profit schools? Please describe those relationships.

Answer 7. A wide range of organizations and individuals interested in student financial aid policies and practices regularly contact TICAS, including advocates for students, consumers, civil rights and college access, colleges, reporters, lenders, and researchers and professionals in academia, at think tanks and in the for-profit sector. TICAS has no financial interest or affiliation with any hedge funds or individuals or organizations suing for-profit schools.

Question 8. Did TICAS receive a copy of the Department of Education's Notice of Proposed Rulemaking on Gainful Employment before it was published in the Federal Register and/or released to the public? Please describe the sources.

Answer 8. No, we did not obtain a copy of the Notice of Proposed Rulemaking on gainful employment before it was posted on the Department's public Web site on Friday, July 23, 2010.

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[13] For details about the Committee on Measures of Student Success, see *http://www2.ed.gov/about/bdscomm/list/acmss.html#charter.*

Question 9. Does TICAS participate in a "Gainful Employment Coalition?" If so, please explain the goals of the coalition and provide a list of members of the coalition and their affiliations with companies or organizations.

Answer 9. TICAS is part of a broad coalition of advocates for students, consumers, higher education, civil rights and college access that support long overdue steps to enforce Federal law requiring career education programs to prepare students for gainful employment in a recognized occupation. All of the coalition letters urging the Administration to take prompt action to protect students and taxpayers from career education programs that over-promise and under-deliver are posted on *www.ProtectStudentsandTaxpayers.org*. The organizations that created this Web site and the partner organizations are also listed on the Web site.

Question 10. Does TICAS believe Income-Based Repayment Programs are beneficial to students? Should use of the IBR program count against the student, the program or the school in any way if used by students?

Answer 10. TICAS is among the strongest supporters the Income-Based Repayment Program (IBR), having led the coalition that developed the Plan for Fair Loan Payments on which IBR was modeled. We would therefore be the first to object to any proposal that would discourage students from enrolling in IBR. The proposed gainful employment rule's repayment rate does not do that, as many if not most students in IBR will be paying down their loans. The proposed rule would, however, discourage schools from loading students with debts they cannot repay. It would also help discourage schools from pushing borrowers to go into forbearance or to consolidate when it is not in the student's interest to do so.

The gainful employment rule's repayment rate measures the extent to which former students are successfully paying down their loan principal. It appropriately counts loans in IBR whose principal is being paid down as being repaid, but not loans in IBR whose loan balances are increasing after they leave the school. If the gainful employment repayment rate measure automatically counted all borrowers in IBR as repaying their loans, then bad-actor schools saddling students with excessive debt would merely have to get their students in IBR and their programs would be guaranteed to remain fully eligible for Federal funding.

IBR is intended to be a safeguard for borrowers, not a shelter for schools, just as mortgage insurance is intended to protect homeowners, not to enable builders to build dangerous, substandard homes.

IOWA CHAPTER—MID-AMERICA EDUCATIONAL OPPORTUNITY
PROGRAM PERSONNEL (IA—MAEOPP),
CALAMAR, IA 52132,
September 8, 2010.

DEAR SENATOR HARKIN: On behalf of the Board of the Directors of the Iowa Chapter of the Mid-America Association of Education Program Personnel (MAEOPP), I write in strong support of the op-ed authored by you in the September 3, 2010, *Washington Post*, "A fairer deal for college students." As the only higher education organization in Iowa with the mission to bring together into a work and study community those persons who have an active interest in or who are professionally involved in broadening accessibility to success in formal postsecondary education for students from low-income and minority backgrounds and those who are the first in their family to attend college, the IA—MAEOPP association commends you for supporting necessary steps to ensure that disadvantaged students are protected from accruing unmanageable debt and a lack of employment opportunities upon graduation.

As you state in your opinion piece, career colleges and the for-profit higher education sector target low-income and first-generation students to attend their schools—promising flexible hours and a job-friendly curriculum. However, as we have seen time and time again, many students enter these institutions without guidance on financial aid and are subject to unsavory and unfair recruiting tactics. These students start their higher education dreams with high aspirations and under false pretenses. Unfortunately, many of them are left with no viable career options and mountains of debt.

The Federal TRIO programs assist students in making sound financial decisions—from college selection to financial literacy, FAFSA completion, and financial aid awareness. However, today TRIO programs in Iowa serve more than 1,300 fewer students than in fiscal year 2005 and that number continues to grow. Yet, as President Obama and his administration continue to emphasize, a college degree is now more important than ever. While setting necessary and important safeguards over career colleges and the for-profit sector through measures like gainful employment is commendable, it cannot solve the problem alone. Programs like TRIO must be expanded so students who enter into certificate and degree programs at colleges and universities in all sectors are able to make educated and informed decisions.

On behalf of all of Iowa's low-income students and families, the TRIO programs throughout Iowa thank you and your staff for taking the necessary steps to prevent abuse and fraud in the for-profit higher education sector and protecting students as they enter into and complete their postsecondary education. We look forward to working with you on means to further promote educational access and achievement for low-income and first-generation students in TRIO Iowa and beyond.

Sincerely,

KATHERINE WHITSITT,
President, IA—MAEOPP.

COUNCIL FOR OPPORTUNITY IN EDUCATION (COE),
WASHINGTON, DC 20005,
September 9, 2010.

MS. JESSICA FINKEL,
U.S. Department of Education,
1990 K Street, NW, Room 8301,
Washington, DC 20006–8502.

Re: Docket ID ED–2010–0PE–0012; Program Integrity: Gainful Employment

DEAR MS. FINKEL: On behalf of the Board of the Directors of the Council for Opportunity in Education (COE), I write in response to the recent safeguards issued by the Department of Education on the for-profit sector to protect low-income and first-generation students and learners with disabilities. As the only higher education organization with the mission to advance and defend the idea of equal opportunity in postsecondary education, COE commends Secretary Duncan and the U.S. Department of Education for proposing necessary steps to ensure that disadvantaged students are protected from accruing unmanageable debt and a dearth of employment opportunities upon receipt of their certificates or degrees.

Career colleges and the for-profit higher education sector target low-income and first-generation students to attend their schools—promising flexible hours and a job-friendly curriculum. However, as we have seen time and time again, many students enter these institutions without guidance on financial aid and are subject to unsavory and unfair recruiting tactics. These students start their higher education dreams with high aspirations and under false pretenses. Unfortunately, many of them are left with no viable career options and mountains of debt.

The data on for-profit institutions and the cost of tuition and default rates is extremely alarming as it relates to low-income students. According to a recent study by the College Board, in the 2009-10 academic year, the average for-profit institution charged $14,174 in tuition and fees and the average community college charged only $2,544. In addition, recent data provided by the Department of Education showed that 93 of the 100 postsecondary institutions with a default rate of 30 percent or more in 2006 and 2007 were for-profit institutions—the same institutions targeting disadvantaged students without the knowledge and support system to make sound decisions.

While setting necessary and important safeguards for career colleges and the for-profit sector through measures like gainful employment is commendable, that alone cannot solve the problem. Programs like TRIO's Talent Search and Education Opportunity Centers are necessary to ensure that students are making sound decisions regarding higher education. These programs provide financial aid counseling where participants receive information about college admissions requirements, scholarships, FAFSA completion and various student financial aid programs.

On behalf of all low-income students and families, COE thanks the Department of Education for taking the necessary steps to prevent abuse and fraud in the for-profit higher education sector and protecting students as they enter in and complete their postsecondary education. I look forward to working with this Administration on means to further promote educational access and achievement for low-income and first-generation students in TRIO and beyond.

Sincerely,

ARNOLD MITCHEM,
President.

EDUCATION MANAGEMENT CORPORATION (EDMC),
September 29, 2010.

Hon. TOM HARKIN, *Chairman*,
Committee on Health, Education, Labor, and Pensions,
428 Dirksen Senate Office Building,
Washington, DC 20510.

Hon. MICHAEL B. ENZI, *Ranking Member,*
Committee on Health, Education, Labor, and Pensions,
835 Hart Senate Office Building,
Washington, DC 20510.

DEAR CHAIRMAN HARKIN AND RANKING MEMBER ENZI: Education Management Corporation (EDMC) recently learned of the testimony before the Senate Health, Education, Labor, and Pensions (HELP) Committee of a current employee of our organization, Ms. Kathleen Bittel. Permit me the opportunity to provide the committee a fuller context in an effort to ensure a fair portrayal of the facts, prior to the hearing on Thursday.

One of the most important responsibilities of our institutions is to help our graduates find productive and rewarding work in their fields following graduation. Across the Company, EDMC has over 300 employees who are dedicated to helping our graduates find the jobs they have worked and studied hard to qualify for, and who are also responsible for ensuring that the Company accurately and fairly reports its success at job placement for the benefit of current and prospective students.

Ms. Bittel is a Career Services Advisor currently on leave, at her request, from EDMC Online Higher Education. She has raised issues concerning the general conduct of co-workers and the Company. Specifically, she has alleged that the Company pressured career services staff to improperly report placement statistics and included several unspecified examples of alleged improper conduct.

Ms. Bittel initially made her allegations in August, immediately prior to going on leave. Upon learning of the allegations, EDMC, consistent with Company policy, conducted a full internal investigation. Ms. Bittel refused to provide specific information about her allegations despite being informed that the failure to do so would hinder the investigation. The internal investigation found no support for Ms. Bittel's claims of undue pressure placed upon Career Services Advisors at EDMC Online Higher Education to meet placement goals or falsely verify graduates' employment was related to their field of study.

We subsequently received from a member of the media a copy of the letter Ms. Bittel sent to the HELP Committee, and promptly undertook a second investigation led by Jones Day, outside counsel to the Company. Thus far, the team assembled by Jones Day has spent hundreds of hours interviewing over 20 employees, including all of Ms. Bittel's fellow Career Services Advisors and supervisors at EDMC Online Higher Education, and reviewing documents in an attempt to determine the veracity of the information set forth in the letter. We again reached out to Ms. Bittel and implored her to meet with us only to see her respond by again refusing to provide specifics or meet with us. Though again hampered by the lack of specifics due to Ms. Bittel's refusal to cooperate, the continuing investigation by Jones Day has likewise found no support for the claims that the Company has pressured employees to violate placement policies and procedures.

Precisely to avoid instances such as those Ms. Bittel alleges, EDMC has long utilized a process designed to ensure the accurate collection and reporting of graduate employment statistics. This process serves as a series of checks and balances to safeguard against an employee's ability to report inaccurate data and includes the following steps:

- Placement documentation is obtained by a Career Services Advisor directly from an employer or a graduate whenever possible;
- A department supervisor is responsible for checking the accuracy of all information entered by Career Services;
- Advisors and confirming that verifications are documented;
- All unusual salary fluctuations and certain waivers from placement are independently reviewed by our corporate staff;
- Our corporate staff performs a separate review of all data prior to records being finalized, including a review of whether the employment listed for each graduate is related to his or her field of study.

In fact, Ms. Bittel's own career services placement portfolio revealed instances of job placements she submitted that were identified by her supervisors to be of a questionable nature. This data was captured through our standard operating processes, investigated, and ultimately rejected by supervisors through the course of routine reviews. We have provided copies of our career placement policies to the HELP Committee's staff in connection with our response to the committee's document request.

Based on our investigations, we believe that Ms. Bittel's allegations are unfair to the tens of thousands of men and women working to serve students across the country as part of the EDMC family. They are particularly troubling in light of her consistent refusal to provide to the Company, or our outside counsel, basic details necessary to confirm their veracity. As an organization that strives to achieve the highest ethical standards, we recognize the vital role played by each of our employees. While we are disappointed that Ms. Bittel has chosen to make non-specific allegations in an increasingly public way, please be assured that we take seriously our commitment to work with graduates to assist them in finding employment and we will not tolerate employees falsifying career placement data.

We are committed to thoroughly scrutinizing and taking action regarding any inappropriate conduct at any level within the Company. We have an anonymous reporting hotline in place to enable employees to report suspected misconduct without any fear of retribution. Employees found to have violated our Code of Business Ethics and Conduct are subject to disciplinary action up to and including termination. We fully support efforts to eliminate deceptive practices in higher education and remain committed to ensuring that appropriate safeguards are in place to ensure that those who may be responsible for purposely misrepresenting facts are held accountable. We continually seek to improve all aspects of our operations, including our marketing, admissions, and career services activities.

Thank you for your fair consideration of our position on this matter as the committee commences hearings on our sector of higher education. We look forward to continuing to work with you in good faith for the benefit of students.

Sincerely,

TODD S. NELSON,
Chief Executive Officer.

EDUCATION MANAGEMENT CORPORATION (EDMC),
September 30, 2010.

Hon. TOM HARKIN, *Chairman*,
Committee on Health, Education, Labor, and Pensions,
428 Dirksen Senate Office Building,
Washington, DC 20510.

Hon. MICHAEL B. ENZI, *Ranking Member,*
Committee on Health, Education, Labor, and Pensions,
835 Hart Senate Office Building,
Washington, DC 20510.

DEAR CHAIRMAN HARKIN AND SENATOR ENZI: Yesterday, I sent to you a letter that conveyed Education Management Corporation's ("EDMC") position concerning the expected testimony of one of our employees, Kathleen Bittel, at today's hearing. Since that time we have been given a copy of the written testimony submitted by Ms. Bittel. Having reviewed that testimony, I believe it is important to focus the committee on two aspects of her testimony.

At the outset, it is important to recognize that the company's career services personnel work very hard at assisting graduates in obtaining employment in what is currently a very challenging marketplace. In fact, as Ms. Bittel points out, we expect our employees in career services to produce results for our graduates. We make no apologies for holding our employees to high standards. We are proud of their success in assisting graduates of our institutions.

Those high standards, however, are coupled with policies and procedures designed to prevent from being reflected in our placement statistics the kind of behavior Ms. Bittel identifies. One glaring omission from Ms. Bittel's testimony is her failure to discuss EDMC's policies and procedures for verifying and approving job placement statistics, including the multiple levels of review designed to ensure accuracy in reporting that data, which I discussed in my earlier letter. We believe these controls work well in practice, and have led us to reject what we believe to be improper submissions, including some made by Ms. Bittel. Importantly, Ms. Bittel's proposed testimony, while alleging that our reporting of graduate results is "rife with abuse," identifies no specific instance in which any of the examples she cites ended up in our publicly reported data. Thank you again for your fair consideration of our position on this matter.

Sincerely yours,

TODD S. NELSON,
Chief Executive Officer.

EDUCATION MANAGEMENT CORPORATION (EDMC),
October 8, 2010.

Hon. TOM HARKIN, *Chairman,*
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
428 Dirksen Senate Office Building,
Washington, DC 20510.

Hon. MICHAEL B. ENZI, *Ranking Member,*
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
833 Hart Senate Office Building,
Washington, DC 20510.

DEAR SENATORS: Thank you for your consideration of my September 29 and 30, 2010 letters to the committee on behalf of Education Management Corporation (EDMC), and for their inclusion in the committee's official record. I appreciate your willingness to consider the facts included in those letters as the committee heard testimony on private sector higher education and, more specifically, testimony from an EDMC employee. I respectfully submit this additional communication for entry into the official committee record in response to the September 30, 2010 hearing, "The Federal Investment in For-Profit Education: Are Students Succeeding?"

EDMC continues to express its sincere interest in working with Congress and the U.S. Department of Education (the "Department") to develop meaningful solutions to our Nation's higher education challenges. We remain profoundly concerned that the Department's proposed gainful employment regulations are flawed, lack sufficient support, and reflect misguided policy. Likewise, we respectfully suggest that the series of hearings held by the committee have provided an incomplete view of the higher education landscape and the quality and caliber of education proprietary institutions deliver, and have failed to further our shared goal of addressing mounting student debt and strengthening higher education in America.

I am particularly concerned with certain specific assertions made during the September 30 hearing, both in testimony and as part of the committee's report, "The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma." The following facts—contained in this letter and the attached key data charts—should help provide clarification in order to complete the official record.

EDMC CAREER SERVICES

On September 30, the committee received testimony that EDMC employs only nine full-time Career Services advisors for tens of thousands of graduates. In fact, across our education systems, EDMC employs more than 250 full-time career services advisors, with 10 advisors dedicated exclusively to graduates of its online higher education programs.

An online higher education career service advisor's average "active" caseload is 55 graduates per quarter, but at any point in time a portion of online graduates assigned to each advisor are already employed in their field, or not actively seeking employment. Graduates may be active military; seeking further education; unable to work due to medical difficulties; international students; stay at home parents; or employed in an unrelated profession and simply chose to obtain a degree outside of their area of expertise. Consequently, we believe the typical active caseload of online higher education graduates is appropriate. We also note that a significant number of programs offered by EDMC schools are relatively new and that we will increase the number of career service advisors as the number of graduates from the programs increase.

"FAST GROWING SCHOOLS" AND "FAST DEPARTING STUDENTS"

This section of the September 30, 2010 committee report does not take into account the underlying reason for the growth of our sector: proprietary schools provide greater access, more flexibility, better course options, superior technology, and a greater career focus than do many public and private not-for-profit colleges and universities. In a challenging global economy, today's students and working adults must acquire career skills they need to gain a competitive advantage over their counterparts. Proprietary schools have the proven ability to respond more quickly to marketplace needs and workforce demands than do its traditional school peers. This, too, has contributed to rapid growth in our sector.

In assessing students at proprietary institutions who do not finish their studies, the committee report fails to note that student drop-out rates can vary significantly by student profile. Older students and those with fewer financial resources often have other responsibilities that require them to take breaks during their pursuit of an education. In addition, many traditional-aged students choose not to take any coursework during the summer term. Based on the committee's methodology for calculating drop-out rates, such students would be counted as having dropped out, when in reality they are simply not taking courses for several months, with many continuing their education in a future term. In fact, over the last 5-year period, students who initially enrolled in EDMC schools and stopped taking courses for a period of time represented nearly 30 percent of all "drop-outs," which explains why graduation rates are higher than the rates implied by the committee's calculation. Finally, when comparing similar student profiles, retention rates at proprietary institutions are similar to those at public and not-for-profit institutions. According to the Department's Integrated Postsecondary Education Data System, in 2008, for all degree-granting institutions with more than 40 percent of students receiving Pell grants, the full-time retention rate was 57 percent at proprietary institutions, as compared to 60 percent at public and 61 percent at not-for-profit institutions.

"LARGE AND GROWING PROFITS"

The committee report overlooks the fact that, unlike their traditional, not-for-profit peers, proprietary colleges and universities incur significant State and Federal tax liabilities. During calendar year 2009, the 13 largest publicly traded postsecondary institutions paid more than $1.2 billion in taxes. Moreover, the report also fails to consider taxpayer subsidies, Federal, State, and local grants, appropriations, and contracts received by traditional, not-for-profit institutions. Excluding title IV funding, government bodies contributed $150 billion in taxpayer funds to these institutions during fiscal year 2008, with over one-third coming from the Federal Government.[1]

Furthermore, it should be noted that EDMC invests significantly in capital projects, spending $175 million on capital improvements during our most recent fiscal year ending June 30, 2010. EDMC has invested more than $1 billion in capital projects over the last 10 years, expanding facilities to meet demand, investing in higher capital-intensive programs such as culinary arts, building an online infrastructure to expand access to quality education, and investing in our facilities and technology to provide students a productive, learning environment. We are extremely proud of our investment in the student experience.

"GROWING DEPENDENCE ON FINANCIAL AID" AND "RAPIDLY INCREASING FEDERAL DOLLARS"

The committee report acknowledged, but did not fully address, the impact of the demographic profile of large numbers of students enrolling in proprietary institutions. Because our schools often serve non-traditional students—men and women whose demographic profile, family income, and work situations pose obstacles to earning a college degree—students in our sector's schools appear to receive a disproportionate amount of financial aid when compared with their peers at traditional schools.

A closer examination of the facts shows that while our students—who tend to be lower income—receive a higher aggregate amount of Federal aid, our sector's student outcomes are quite similar to those of traditional, not-for-profit schools when comparing similar student populations. For 4-year, degree-granting institutions like EDMC (with 40 percent or more of their student population receiving Pell grants), our graduation rate of 41 percent is in line with those at both not-for-profit and other proprietary institutions and well above the 33 percent rate at public schools. Likewise, proprietary schools also report similar student loan default rates as the overall postsecondary education industry when factoring in similar student populations. For 4-year, degree-granting institutions with 40 percent or more of their student population receiving Pell grants, EDMC's cohort default rate of 7.3 percent is better than the averages reported across all sectors of post-secondary education.

[1] U.S. Department of Education, NCES 2010–152, April 2010, Table 3.

As noted in the report, there have been rapid and dramatic increases in the amount of title IV aid awarded to students attending proprietary schools. These increases are not related to changes in business practices by proprietary schools over the past several years, nor are they related to changes in the practices of traditional public or not-for-profit schools. Rather, the increases reflect substantial increases in the availability title IV aid together with the demographics of the students we serve, the collapse of the private credit markets and the associated narrowing of private student lending, and a deteriorating economy that includes tremendous job losses and reductions in or elimination of State grant aid.

The factors giving rise to increased amounts of title IV aid awarded to students at proprietary schools have affected students at traditional schools as well. For example, the University of Georgia recently reported that its number of Pell grant recipients this year grew to 5,322 students, which is a 52 percent increase over the 2 years from the 2007–8 academic year. [Testimony of Bonnie C. Joerschke, Director, Office of Student Financial Aid, University of Georgia to the Advisory Committee on Student Financial Assistance, June 25, 2010]. The historic increases in title IV aid adopted by recent congressional actions grew Pell grants and student loan funding for students across all of higher education, not just the proprietary sector.

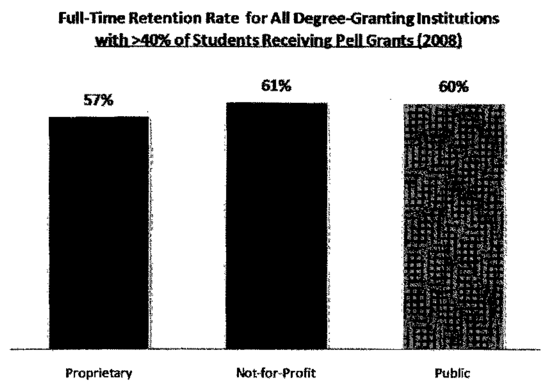
The increases in Federal title IV aid have been championed by many members of the Senate HELP Committee, and rightfully so, because a priority of the Higher Education Act is "to prepare students from low-income families for postsecondary education" [20 U.S.C. Section 1070(a)(4)]. These increases, however, are related to the students we serve, not to our business model, and apply across all of higher education, not just the proprietary sector.

In closing, I sincerely appreciate the committee's consideration of the information EDMC has offered to date, and for its close examination of the data and information contained in this letter. As EDMC has consistently conveyed to the committee and to the Department, we remain committed to doing what is right for the benefit of our students. We stand ready to assist in the development of policies that accomplish shared goals on behalf of all of our Nation's students. In doing so, however, we ask that the committee fully examine facts from across all of higher education, not just the small portion represented by proprietary schools, and in doing so, disaggregate the data examined so that both alleged problems and proposed solutions are examined through a lens that can help in addressing the root of the problems. Establishing regulations or legislation based on an incomplete view of the higher education landscape will only lead to unintended consequences and further barriers to a college degree for those students who need improved access the most.

Sincerely yours,

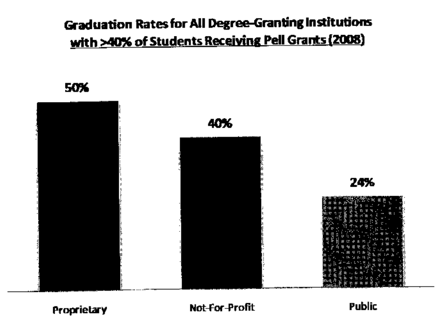
TODD S. NELSON,
Chief Executive Officer,
Education Management Corporation.

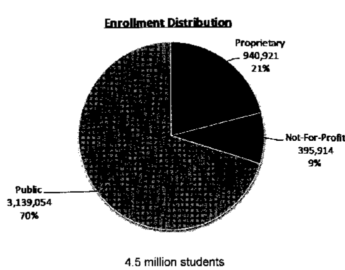
Similar retention rates across similar student populations



Source: IPEDs 2007-08, EDMC
Full-Time Retention Rate = rate at which students persist in their educational program; for 4-year institutions, the percent of first-time bachelors (or equivalent) degree-seeking undergraduates from the previous fall enrolled in the current fall; for all other institutions, the percent of first-time degree/certificate-seeking students from the previous fall re-enrolled or completed their program by the current fall

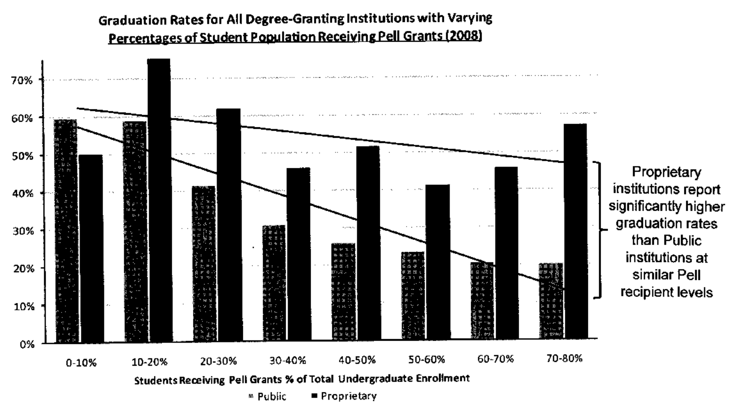
Low income students more likely to succeed at Proprietary institutions





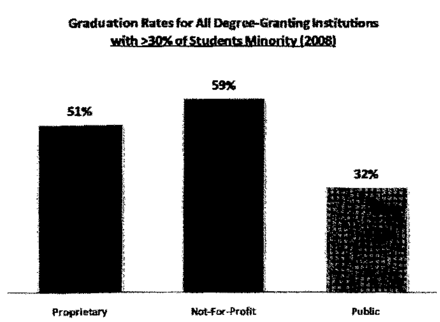
Source: IPEDs 2007-08, EDMC

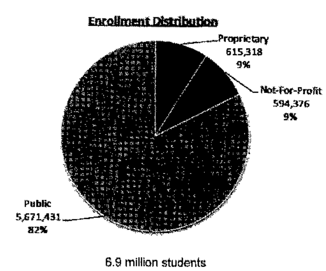
Low income students more likely to succeed at Proprietary institutions



Source: IPEDs 2007-08, EDMC

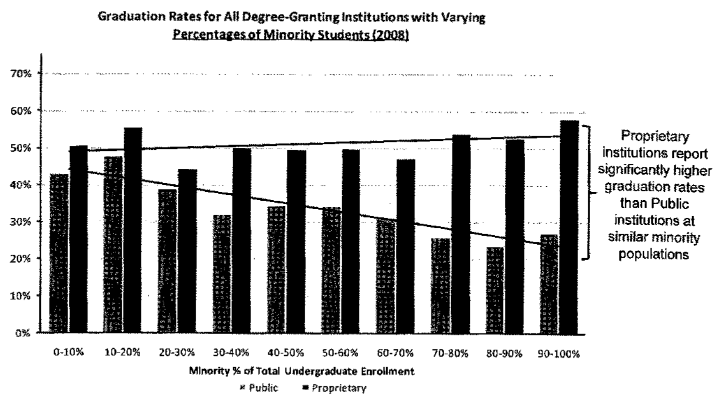
Minority students more likely to succeed at Proprietary institutions





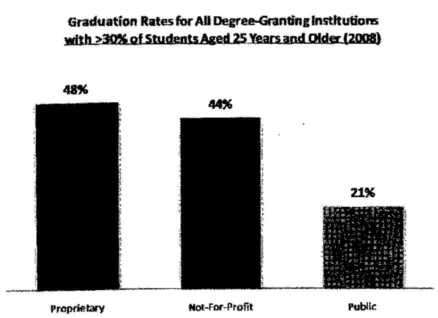
Source: IPEDs 2007-08, EDMC

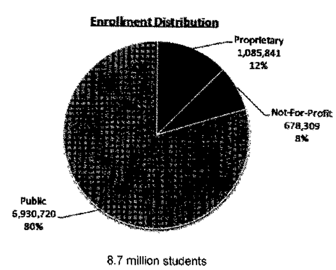
Minority students more likely to succeed at Proprietary institutions



Source: IPEDs 2007-08, EDMC

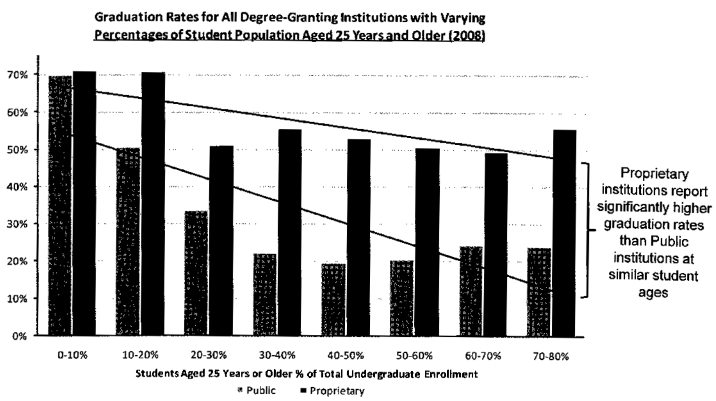
Older students more likely to succeed at Proprietary institutions





Source: IPEDs 2007-08, EDMC

Older students more likely to succeed at Proprietary institutions



Source: IPEDs 2007-08, EDMC

KAPLAN UNIVERSITY,
CEDAR RAPIDS, IA 52404,
October 12, 2010.

Hon. TOM HARKIN, *Chairman,*
Committee on Health, Education, Labor, and Pensions,
428 Senate Dirksen Office Building,
Washington, DC 20510.

DEAR CHAIRMAN HARKIN: Kaplan University—Cedar Rapids (KU—Cedar Rapids) is committed to ensuring that students who enroll in our programs are provided with every opportunity for success. I was therefore concerned when I heard, for the first time in connection with your recent hearing, that KU—Cedar Rapids student Danielle Johnson plans on dropping out of her Practical Nursing program.

My administrators and instructors take extraordinary steps to help our students succeed in and out of the classroom. This level of dedication has led to a 92 percent placement rate and 65 percent graduation rate in the Practical Nursing program. In fact, 80 percent of Ms. Johnson's classmates with whom she started her program are successfully progressing toward graduation.

Practical Nursing is an intensive program that requires a high level of student dedication. In addition to classroom studies, Practical Nursing students attend hands-on clinical rotations at hospitals and care centers. These locations are pre-set instructional sites. Clinical rotations are taught to multiple students at the same time by KU—Cedar Rapids instructors as part of the students' overall course schedule. This is different from an *externship* where an individual student, with campus oversight and approval, works in a job-related to his/her program for class credit. Occasionally, students are able to set up externships with a facility or an office that is close to their home.

Ms. Johnson originally enrolled in the Medical Assisting (MA) program before deciding to switch to the Practical Nursing program. The MA program requires externships. During her MA enrollment process, she was made aware of the possibility of setting up a MA *externship* near her home in Tama, IA. However, when she changed programs, she was informed correctly that she would have to complete a Practical Nursing *clinical rotation* at the pre-set clinical instruction sites. Ms. Johnson, like all students in the program, underwent 2 days of orientation *before* starting the Practical Nursing program during which she was informed in detail about the program's requirements including the expectations and locations of the school's 14 clinical sites. Furthermore, she was made aware of her clinical rotation location during the first term and attended a clinical rotation orientation describing the requirements of the sites to which she was to be sent.

At no time during these orientations did Ms. Johnson question whether she could attend a clinical site at her home in Tama, IA. When, weeks later during her first clinical rotation, Ms. Johnson inquired about the possibility, she was told clearly that, like all other students, she would need to attend the approved clinical sites to which she was assigned. It is apparent that Ms. Johnson is confusing what she was correctly told about MA *externship* sites with the clear requirements of the Practical Nursing *clinical* instruction sites.

Ms. Johnson's decision to drop out of her program is especially disappointing because her instructors and academic advisors have worked diligently to help her be successful. They have provided additional tutoring and even offered textbooks on tape to help her study during her commute.

When I learned as a result of your hearing that, despite these efforts, Ms. Johnson wished to transfer to another school, I immediately searched our records and found that Ms. Johnson had not officially requested her transcript from the KU—Cedar Rapids campus. Due to the Federal student privacy laws, KU—Cedar Rapids is unable to release student transcripts without a written request and student release. It is true that our general policy is not to release official transcripts until a student's balance is fully paid (a policy identical to, for example, that at the University of Iowa,[1] Drake University[2] and Iowa State University[3]) However, due to her personal difficulties, of course we will provide the transcript to Ms. Johnson as soon as she requests it. I have sent Ms. Johnson a copy of the necessary request and release.

Mr. Chairman, I am proud of KU—Cedar Rapids' programs and the success our graduates have enjoyed. Since 2006, we have graduated 300 students from the Practical Nursing program. Over 90 percent of these graduates have gone on to successful nursing careers across Iowa at institutions such as University of Iowa Hospitals and Clinics, Mercy Medical Center and Clinics, and St. Luke's Hospital and Clinics. These professional former KU students are serving their communities by improving people's lives. While I am saddened that Ms. Johnson is choosing to leave prior to achieving her goals, I remain committed to working with all of our students to help them to learn, graduate, and obtain rewarding careers.

Sincerely,

SUSAN SPIVEY, *President,*
Kaplan University—Cedar Rapids.

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
WASHINGTON, DC 20510–6300,
October 26, 2010.

Ms. SUSAN SPIVEY, *President,*
Kaplan University, Cedar Rapids,
3165 Edgewood Park, SW,
Cedar Rapids, IA 52404.

DEAR PRESIDENT SPIVEY: This letter is to notify you that your letter of October 12, 2010 with regard to Danielle Johnson a student at Kaplan Cedar Rapids and a witness at the Senate HELP Committee hearing of September 30, "The Federal Investment in Education: Are Students Succeeding?" has been included in the hearing record.

However, I would note that the facts in your letter differ from previous explanations and interpretations provided to staff, and indeed the explanation in the letter that Ms. Johnson must have confused information she received about the Medical Assisting program's externship sites with the Practical Nursing program's clinical instruction sites is not one that was previously provided.

Ms. Johnson's testimony is unequivocal on this point, and I believe it is clear that she was misled during the recruiting and enrollment process. Moreover, the misinformation she received caused her to borrow loans and enroll in a program that did not best suit her needs.

The letter also states that Ms. Johnson never officially requested her transcript when she decided in May 2010 that she wanted to transfer to another institution.

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[1] *http://www.uiowa.edu/ubill/common__questions/answers.html.*
[2] *http://www.drake.edu/accounts/.*
[3] *http://www. public.iastate.edu/registrar/info/transcpt.html.*

As she makes clear in her letter to you, the registrar's office told her that they would not send a copy of her transcript until she paid her balance, so she never officially requested it. Since the hearing, my office has received two additional inquiries from other students at Kaplan Iowa campuses who have also been told they cannot obtain transcripts until they have cleared similar balances.

I look forward to working together to improve the outcomes of students attending Kaplan University including its five Iowa campuses and to ensure that students in Iowa and across the country have the opportunity and support they need to be successful.

Sincerely,

TOM HARKIN,
Chairman.

[Whereupon, at 12:44 p.m., the hearing was adjourned.]

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