

EXAMINING FOR-PROFIT COLLEGE OVERSIGHT AND STUDENT DEBT

HEARING

BEFORE THE
SUBCOMMITTEE ON ECONOMIC AND CONSUMER
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OF THE
COMMITTEE ON OVERSIGHT
AND REFORM

HOUSE OF REPRESENTATIVES

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* Table 4, Overall College Completion Rates by Student Characteristics, 2016, from “The College Completion Landscape: Trends, Challenges, and Why It Matters”, by Bridget Terry Long, 2018; submitted by Rep. Foxx

EXAMINING FOR-PROFIT COLLEGE OVERSIGHT AND STUDENT DEBT

Wednesday, May 22, 2019

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC AND CONSUMER POLICY,
Committee on Oversight and Reform,

WASHINGTON, D.C.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2247, Rayburn House Office Building, Hon. Raja Krishnamoorthi (chairman of the subcommittee) presiding.

Present: Representatives Krishnamoorthi, DeSaulnier, Hill, Pressley, Tlaib, Connolly, Cloud, Grothman, Roy, Miller, and Jordan.

Also present: Representatives Shalala, Bonamici, and Foxx.

Mr. KRISHNAMOORTHI. The Subcommittee on Economic and Consumer Policy will come to order. Without objection, the chair is authorized to declare a recess of the committee at any time. This hearing is entitled: "Examining for-Profit College Oversight and Student Debt."

I now recognize myself for five minutes to give an opening statement.

During the height of the Great Recession of the late 2000's, enrollment at for-profit colleges tripled. This was not a coincidence. Americans around the country searched for ways to make themselves more competitive for employment. By 2010, enrollment at for-profit colleges peaked at just over 2 million students, and revenue grew over 600 percent. In President Obama's second term in office, the bubble began to burst.

The collapse of Corinthian Colleges and ITT Tech in 2015 and 2016, respectively, initiated a rash of collapses that we continue to see today. Just in the past six months, Education Corporation of America and Dream Center Schools have closed, leaving students languishing and looking for answers. At the heart of these collapses are students determined to improve their career and life prospects through the promise of higher education.

One such student is with us today, Robert J., also known as RJ, Infusino, is a student from my district in Illinois. In 2015, RJ enrolled at the Illinois Institute of Art, seeking a degree in audio production. RJ's anticipated graduation date would have been May 2019. That's this month. This month, as students on college campuses across the country put on their caps and gowns and proudly walk across the stage to collect hard-earned degrees with friends and family cheering them on, RJ, unfortunately, will not be joining them.

RJ will not be joining them because, like so many students that attended predatory colleges, he was deceived. RJ's school lied about their accreditation status, setting him back academically, and endangering his financial health and future.

Unfortunately, RJ's story is all too familiar. Hundreds of thousands of students have been lied to by predatory for-profit colleges about job placement rates, salary prospects, tuition costs, and program quality. The statistics are alarming. According to the National Center for Education Statistics, also known as the NCES, only 26 percent of students who enroll in four-year, for-profit institutions, graduate within six years. In comparison, across all institutions, the national average six-year graduation rate is 60 percent. Forty-seven percent of defaults, almost half of all defaults, are attributed to students that attended for-profit college, despite the fact that only 13 percent of students attend these types of schools.

One of the stated missions of the Department of Education is to promote student achievement and increase the accountability of Federal education programs. But Secretary Betsy DeVos' Education Department has been derelict in its duties to combat the rampant and flagrant abuses of predatory institutions, and the enabling accreditors who let them sell worthless degrees.

On average, Title IV Federal funding accounts for 70 percent of for-profit college revenue. Almost \$250 billion, that's a quarter of a trillion dollars, almost 20 percent of all student debt owed is attributed to for-profit colleges that directly profit from government funding. Yet, the Department refuses to enforce gainful employment rules meant to ensure all schools are actually setting up their students for success in the job market.

Just as alarming is that the Department refuses to fight on behalf of students who have been defrauded and deceived by the exact industry it will not hold accountable. Since June 2018, the Department has not processed a single borrower defense claim, which provides much-needed loan forgiveness to students who have been defrauded by institutions of higher learning. In the interim, the number of claims at the Department has gone up 50 percent, and now exceeds 158,000 claims.

Folks, that's 158,000 claims that have not been addressed. These are borrower defense claims, claims by students who have been defrauded.

Let me be clear. Inaction is complicity. Students and American taxpayers demand and deserve better oversight that holds all institutions accountable. I am hopeful today's hearing will give us insight into why the Department has lapsed its responsibility to enforce accountability standards that would prevent fraud, waste, and abuse, by predatory for-profit institutions.

I look forward to today's discussion with the sincere hope that the Department will begin to chart a new course that establishes an American education system based on transparency, accountability, equity, and results.

With that, I would like to also acknowledge the presence of the ranking member of the Education and Labor Committee, Congresswoman Foxx, and—hi, Dr. Foxx—and Congresswoman Shalala. Hello. Without objection, the gentlewoman from North Carolina

and Florida shall be permitted to join the subcommittee on the dais and be recognized for questioning witnesses.

The chair now recognizes the ranking member, the distinguished member from Texas, Mr. Cloud, for five minutes for his opening statement.

Mr. CLOUD. Thank you, Chairman. And I don't know about distinguished but I appreciate it. Thank you. Thank you, Chairman, for holding this important hearing today and thank you for all our witnesses for your thoughtful testimony. I especially want to thank Mr. Infusino. I am happy that you are here providing a firsthand account of your experiences. I am sure that these experiences are shared by many other students as well.

There is no difference between the majority and minority on holding bad actors accountable. The law is the law, and when individuals, schools, or companies violate the law, we should all want to hold them accountable. The difference lies in if the force of government should be used to eliminate certain choices and opportunities. Should we treat education opportunities evenly, or should Washington decide what's best and use government to accomplish the desired outcome? I say the former.

In a Nation as big and diverse as ours, we should seek to expand opportunities that match local educational and employment needs. Do we really believe that Washington and those in this room are more capable of determining what is an appropriate style of learning, or can we take a humble step back and acknowledge that individuals can make the best choices for themselves? This hearing is titled "Examining For-Profit College Oversight and Student Debt." I wish we were here discussing today—I wish what we were discussing today was examining our educational system and making structural improvements and addressing the student debt.

Traditional college education services serve some quite well. There are a number of reasons why an individual would choose a traditional college experience, a wide variety of classes, athletic events, a great way to display knowledge, social opportunities. These are just some of the reasons.

And while this choice might work for some, it does not work for others. Tuition is expensive, it takes several years to complete and, unfortunately, within six years of starting college, less than 55 percent of students graduate. In addition to that, there are also many different ways individuals learn. And technological advancements, distance learning, and new models of education are challenging an education system that, in many ways, is a holdover from the industrial revolution.

What I am concerned that this hearing may turn into is the demonizing of certain type of educational opportunity, when we should be focused on finding areas of improvement in all higher education. The goal we should be focused on is helping people find educational opportunities that lead to jobs, and provides upward mobility for them and their families, and affords them the opportunity to be productive members of this society.

I hope we can stay focused on identifying areas of higher education that need improvement. Let's all remember that the issues we see in for-profit colleges are not new. This is an issue that predated this Congress and this administration, and for-profit closures

have been rising dramatically over the past decade, from 50 in 2009 to 448 in 2016. This is not one solved by regulating a specific sector of postsecondary education out of existence which has gainfully employed a number of people.

It is solved through the power of choice and transparency. Students are free to choose where they attend, whether it be public, nonprofit, private nonprofit, or for-profit. Exercising individual choice is one of the strongest forces in our economy. Thankfully, this is also backed up by the rule of law and the justice system.

Hear what I'm saying, the genuine problems facing the students that were affected by school closures are real, and we should look at ways of ensuring all students have the information about all the schools available that they need to make wise decisions. What I'm also saying is that regulating away a class of schools that, in many cases, provide educational benefits to a segment of students that have historically been underserved may not be the proper action.

In government, business and schools, there have been and always will be bad actors, and we should ensure that they are held to full account. As we have seen, many of the actions in question are making their way through litigation. I hope we have a productive discussion today and afford everyone the opportunity to have their proposals heard. Once again, thank you for being here, witnesses.

And I yield back.

Mr. KRISHNAMOORTHY. Thank you, Mr. Cloud. Today, we are joined by four witnesses: First, RJ Infusino, a former student of the Illinois Institute of Art; Christopher Madaio, Assistant Attorney General for the Consumer Protection Division of the Office of the Maryland Attorney General; David Halperin, attorney and counselor with the Republic Report; and Lindsey Burke, Director for the Center for Education Policy at the Heritage Foundation.

If the witnesses would please rise, I will begin by swearing you in. Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Let the record show that the witnesses answered in the affirmative.

Thank you and please be seated. The microphones are sensitive, so please speak directly into them. And you'll notice that there is a timing device in front of you. Green means go; yellow does not mean slow down, it means speed up; and then red means stop. Without objection, your written statements will be made part of the record.

With that, Mr. Infusino, you are now recognized to give an oral presentation of your testimony for five minutes. Thank you.

**STATEMENT OF ROBERT J. INFUSINO, FORMER STUDENT,
ILLINOIS INSTITUTE OF ART**

Mr. INFUSINO. Good afternoon, Chairman, and members of the committee. My name is Robert J. Infusino, and I am a former student of the for-profit Illinois Institute of Art in Schaumburg, Illinois. Thank you for inviting me here today.

This is my first visit to Washington, DC, and this should be an exciting and fun day, but the truth is, I am here because my life

has been turned completely upside down by a college that cared more about profit than students.

The Illinois Institute of Art started recruiting me when I was still in high school. I had no real understanding of how college worked then, or of the differences between for-profit and not-for-profit colleges. In my senior year, I applied and was accepted immediately. I was so excited. When I toured the school, I explained that my dream was to do sound design for video games. They told me that they had an audio class specifically for video games, and they would get me a job, an internship, and, ultimately, a job. But there was no such class. My internship was in an insurance sales office and it was a total waste of my time, and the promised connections to the industry did not exist.

In 2017, my school was sold to a nonprofit called the Dream Center. The Dream Center told us that its nonprofit status would lower tuition and improve everything, but the Dream Center only made things worse. Within a few months, faculty started leaving and were replaced with new instructors who did not know the course material. I never understood why a small, nonprofit charity took over the school, but I decided to make the best of it and focus on my studies.

Then last year, a few days before returning to what should have been my last summer break, I checked my email and my heart sank. I found messages saying that the school was not accredited, and it was closing at the end of the year.

Mr. Chairman, and members of the committee, this was one of the worst days of my life. I felt like the world was crashing down around me and everything that I had done at the school was just going away.

When I returned to campus, it was chaos, and I did everything I could to find answers, but got nowhere. During one meeting, I learned that the school knew about its lost accreditation six months before they bothered to tell students. They knew but did not tell us. They just kept taking our money for worthless credits.

At this point, I could not trust the Dream Center, and the Department of Education was only sending me to a website. My classmates and I had to figure out everything by ourselves. Eventually, I came to realize I only had two bad options: First, I could apply for a closed school discharge, but it would not get back the thousands of dollars my dad had already paid out of pocket for tuition, and I would have to give up my dream of becoming an audio engineer.

My other option was to transfer. After extensive research and stress, my only realistic options were other for-profit colleges. I did not want to make the same mistake twice, but what else was I supposed to do?

I should have been graduating next month. Instead, I'm spending an extra year in school, which means I am delaying the start of my career and taking on thousands more in student loans. On top of all this, the Dream Center signed an agreement with me promising \$5,000 in tuition assistance after I transferred to a new school. But two months ago, the Dream Center emailed me to say I would not get the money. Along with several of my classmates, I sued the Art Institute and Dream Center for its lies about accreditation. Back

in March, my attorneys at the National Student Legal Defense Network wrote a letter to the Department asking that my loans and those of my fellow students be discharged. And I have a copy of this letter with me today. The Department has not even responded to my lawyers and I don't understand why.

I never would have thought to question the intentions of a college. And I believed the Department was here to serve students like me, but I don't have much trust in higher education anymore. It feels like I'm being punished to follow my dreams. I hope that, by testifying today, that the Department of Education will do what is right for students, and I hope that by sharing my experience, I can help prevent this from happening to people like me. Thank you.

Mr. KRISHNAMOORTHY. Thank you, Mr. Infusino.

Mr. MADAIO.

STATEMENT OF CHRISTOPHER MADAIO, ASSISTANT ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, MARYLAND OFFICE OF THE ATTORNEY GENERAL

Mr. MADAIO. Thank you, Mr. Chairman, and members of the committee. I have four areas to bring to your attention today: No. 1, the Department of Education refuses to communicate with state attorneys general to help defraud its students. state AGs are especially active with enforcement actions against for-profit schools, because of the demonstrated pattern of unfair and deceptive conduct at those businesses.

My written testimony lists 17 notable cases, such as Career Education Corporation, Ashford University, ITT Technical Institute, and the Dream Center Schools, cases that the attorneys general have brought against for-profit institutions. We have found evidence that these schools routinely pressure students into enrolling, lie about whether credits can transfer, and deceive students about their chances of getting a job.

AGs want to share evidence with the Department so that the Department can decide whether to cancel debt belonging to students who attended schools that AGs have investigated, sued, and settled with. But we are unable to reach anyone. They don't return our calls. They don't reach out to us after we announce a settlement. No one at the Department has even responded to our letters trying to have a dialog. And there has been reporting that says the Department staffers have been instructed not to even talk to state AG offices.

The Department could open the lines of communication with state AGs, but it refuses to do it. Ms. Diane Auer Jones, if you are here and listening, please, I ask you, reestablish the collaboration between the Department and state AGs, and let us work together to protect students.

No. 2, the Department refuses to help students affected by recent school closures. Investigations by state AGs led to the discovery and admission by the school that the Dream Center Schools deceived students, as you just heard, about the loss of accreditation. That means that students enrolled and paid for worthless credits.

The Department could use the borrower defense rule to cancel debt incurred by students whose enrollment was based on a lie, but

it refuses to do it. The Department could make the closed school discharge available to more students who are affected by misconduct of the Dream Center Schools, but it refuses to do it.

No. 3, the Department refuses to use the rules on the books to protect students. The Department misused student data from the Social Security Administration, and now claims that it cannot enforce the gainful employment rule. The Department could try to work out an agreement with the Social Security Administration to get the data it needs to protect students from low-quality schools that leave them with high debt and low earnings, but it refuses to do it.

After the Department lost a court case and had to implement a new version of the borrower defense rule, it could have taken steps to ensure that the financial responsibility portions of the new rule are in place, so that students are protected and taxpayer money is protected, but it refuses to do it.

The Department could fully discharge the loans of students who attended Corinthian Colleges, which the Department has already determined that those students were lied to about their ability to get a job, but instead, the Department conceived an arbitrary plan to cancel only a part of the debt if a student found any job, even one outside their field of study, which is often all students who went to Corinthian can find, because many employers don't feel that Corinthian was a quality school. A student who was lied to, in order to get them to enroll at a school, should not have any loans hanging over their head.

Another court has determined that the Department's preferred method of partial discharge is legally flawed, and it prohibited the Department from implementing it. The Department could give up on this plan and grant full cancellation to students, but it refuses to do it.

The Department also delayed the implementation of another rule that protects students at online schools, and recently lost yet another court case, and now is required to implement that rule starting next week. The Department could have taken steps to ensure that schools will comply with the rule, and ensure that all online programs have state authorization before receiving Federal funds, but it refuses to do it.

And No. 4, the Department refuses to help disabled veterans. I end on this one, because it's the saddest one. Over 42,000 totally and permanently disabled veterans are carrying more than \$1 billion in student loan debt, and are eligible to have that debt canceled. The Department wants veterans to file an application, which many of them are unable to do because they are totally and permanently disabled. But the Department knows which veterans qualify for loan relief and it could automatically cancel that debt if it wanted to, but for reasons I will never understand, Ms. Auer Jones and the Department refuse to do it.

Thank you for your attention to this important matter, and I look forward to answering your questions.

Mr. KRISHNAMOORTHY. Thank you, Mr. Madaio.

Mr. Halperin, you are on the clock.

**STATEMENT OF DAVID HALPERIN, ATTORNEY AND
COUNSELOR**

Mr. HALPERIN. Thank you, Mr. Chairman, Ranking Member Cloud, and members of the committee. I hope every Member of Congress agrees with these three principles: First, government should be vigilant against waste, fraud, and abuse with taxpayer dollars; second, if government commits taxpayer dollars, there should be real performance standards to make sure we get what we pay for; third, government investment should not make the intended beneficiaries worse off than when they started.

The Federal investment in student grants and loans as applied to for-profit colleges has flunked all three tests for decades. There are good programs and great teachers and students in for-profit higher education, but many schools have engaged in deceptive recruiting, financial aid fraud, and more. The Department of Education's failure to establish strong rules has meant a race to the bottom. The more colleges abuse students, the more money they make. The predatory behavior has been documented by the Senate HELP Committee and many other investigations.

In 2011, I met Rashidah Smallwood, a religious woman who was fired as a financial aid administrator at ITT Tech in Texas after she refused to cooperate with what she believed to be systematic fraud. In 2014, I met Laurie McConnell, a librarian at Everest College, part of Corinthian Colleges in California. She was heartbroken, trying to tutor a student who was intellectually disabled, severely so. Everest had enrolled him in a criminal justice program because he wanted to be a police officer.

Last year, honest employees at Dream Center Education Holdings called me to say the company was lying to students about the lost accreditation of some campuses, and improperly mixing their newly nonprofit schools with for-profit companies owned by Dream Center executives. With all the abuses, outcomes have been abysmal for many students, veterans, single parents, immigrants, people who just wanted a chance to improve their lives.

A 2016 study found for-profit college students earned less after leaving school than they did before they enrolled, and many students face crushing student debt. The Obama Administration finally acted. It issued the gainful employment and borrower defense rules to curb predatory practices. It ended recognition of ACICS, accreditor of many of the worst schools. It refused to recognize the predatory CollegeAmerica chain as nonprofit after concluding the conversion benefited only the prior for-profit owner. Secretary DeVos has canceled all of these pro-student reforms and more.

The industry claims there are no bad schools anymore. That's false. They claimed the same 10 years ago. Trying to escape the stigma their bad behavior created, some for-profits have converted to nonprofit, but they retain for-profit companies that hold lucrative contracts and keep a grip on management. The troubling Purdue-Kaplan deal is one example.

With the Dream Center, the Department first approved the change of ownership, but eventually lost faith and sought new owners. All of this was done behind closed doors, and was mismanaged. Students didn't know anything until their campuses were closing. The recent shutdowns of for-profit Education Corporation of Amer-

ica and Vatterott were also debacles, with students locked out, their futures in doubt. These for-profit schools enrolled new students until the bitter end, banking as much taxpayer cash as they could.

Another school, Grand Canyon, with Department consent, converted to nonprofit. This year, the school's president, who is also CEO of Grand Canyon's for-profit arm, bragged to Wall Street that money was flowing in, because prospective students love to hear that the school is nonprofit.

Yet another chain converting is Ashford University, which has faced multiple law enforcement investigations for deceiving students. And then, finally, there is for-profit Career Education Corporation, which recently boasted 2018 was a watershed year, the best income in a decade. Their predatory practices have led to numerous law enforcement actions, including \$1.5 billion settlement this year with 49 state attorneys general. Secretary DeVos' two top higher education aides, Robert Eitel and Diane Auer Jones, both worked as senior executives at Career Education Corporation through 2015, and they have each worked for other predatory schools. And I would be glad to answer your questions when the time comes.

Mr. KRISHNAMOORTHY. Thank you, Mr. Halperin.

Ms. Burke, you have five minutes.

**STATEMENT OF LINDSEY BURKE, DIRECTOR, CENTER FOR
EDUCATION POLICY, THE HERITAGE FOUNDATION**

Ms. BURKE. Thank you, Chairman Krishnamoorthi and Ranking Member Cloud. My name is Dr. Lindsey Burke. I'm the Will Skillman Fellow in Education Policy at the Heritage Foundation, and I oversee the Center for Education Policy. I appreciate your invitation to be here today to discuss for-profit higher education and student debt. The views I express in this testimony are my own and should not be construed as representing any official position of the Heritage Foundation.

The higher education system in America needs significant reform, but targeting proprietary institutions is not the way to improve outcomes sector-wide. For-profit colleges are finding success because they are helping a segment of students who have historically been underserved by traditional universities. The real problem afflicting higher education today is the vast amount of taxpayer resources being poured into the system. That's the issue that deserves oversight. Singling out one sector that is meeting the needs of students is not the issue.

So I want to discuss three issues today. The first is the gainful employment rule. The Department of Education is working to overhaul the gainful employment regulation put into place during the Obama Administration that targeted for-profit colleges, requiring their graduates to achieve certain government-defined, debt-to-earnings income ratios. The gainful employment rule was clearly designed to affect certain types of schools, as it was not applied evenly across all institutions, suggesting that the rule's application to for-profit schools was more about politics than prudent policy. For example, among certificate programs, just 45 percent of students pursuing a certificate at a public college had earned it within

three years. That figure rises to 70 percent for students at for-profit colleges.

The second issue I'd like to discuss is the 90/10 rule, another regulation that targets the for-profit sector. The rationale behind the rule, which dates back to 1992 and began as an 85/15 rule, has merit. Quality higher education institutions should be able to secure non-Federal sources of revenue from a variety of sources. Yet, as with gainful employment, the 90/10 rule only applies to the for-profit sector. If the Federal Government applied the 90/10 metrics to all schools of higher education, which would be the fairer application of the rule, 80 percent of public two-year colleges would fail the test, as would an estimated 40 percent of four-year colleges.

Although the percentage of colleges that would fail the 90/10 rule if applied evenly is still a matter of dispute, it is a proportion above zero, *prima facie* evidence that the rule as currently applied allows some traditional schools off the hook, while penalizing similarly situated for-profit colleges. Instead of layering on more and more regulations to contain a taxpayer exposure problem that Washington created in the first place, Congress should cut, rather than expand, and at the very least, significantly cap Federal student loans.

Finally, I'd like to discuss how career and technical colleges and for-profit colleges play a vital role in our higher education ecosystem. Nationally, college prices are more than three times higher today than they were during the 1987–88 academic year. Yet, one-third of college graduates are underemployed in jobs that don't require a bachelor's degree, suggesting, as economist Richard Vetter puts it, that we are malinvested. Indeed, 57 percent of Americans say that higher education is not a good value proposition, and 75 percent say that it's too expensive for the average American to afford. So we need career and technical colleges. They provide us with plumbers and electricians, with construction supervisors and nurses. We need for-profit colleges. They provide us with experts in cybersecurity, information analytics, and logistics, all of which are vital to our economy.

So the bottom line is this: For-profit colleges tend to do a better job recruiting nontraditional students, such as part time, low-income and older students, as well as women and minority students. Many students seek out these colleges as a means of establishing a meaningful, long-term career in a critical field. The government should not penalize them for that choice. Improving excellence and driving down cost requires structural reforms to the entire sector, not the least of which is cutting off the open spigot of Federal aid to universities. The higher education sector needs improvement across the board. Singling out one type of school simply based on tax status is not the way to get there.

Thank you, again, for affording me the opportunity to testify at this hearing. I look forward to your questions.

Mr. KRISHNAMOORTHY. Thank you, Ms. Burke.

I now recognize myself for five minutes of questions. First of all, I want to thank everybody for contributing to today's discussion. Mr. Infusino, I am especially grateful to have your voice here representing so many students who have been defrauded and deceived by certain for-profit institutions. This issue hits home, as you are not the only constituent of the district I represent in Illinois's

Eighth District, who has had their lives turned upside-down by the closure of the Illinois Institute of Art, which was owned and operated by Dream Center.

I want people to understand the struggle students face when their schools collapse. Mr. Infusino, your testimony states that you did not discover Illinois Institute of Art's unaccredited status until around July 5, 2018, because staff did not inform students until summer break had already begun. Is that right?

Mr. INFUSINO. That is correct.

Mr. KRISHNAMOORTHY. Describe to us your feelings when you discovered your hard work in courses taken the entire previous semester were not accredited.

Mr. INFUSINO. I was upset. Honestly, I felt lied to and I was just—it was probably one of the hardest things for me to wrap my head around, because you do all this work and then it just turns out that it wasn't—now it's not going to show that I worked so hard in these classes.

Mr. KRISHNAMOORTHY. Do you know how much money your family paid for that time that was unaccredited?

Mr. INFUSINO. I do not have an exact number, no.

Mr. KRISHNAMOORTHY. It was in the thousands of dollars?

Mr. INFUSINO. Yes, it was.

Mr. KRISHNAMOORTHY. Well, I can only imagine the panic, anger, and betrayal that you and your family felt. No one ever should be forced to feel that way simply for attempting to improve their life and job prospects.

Can you walk us through what options you had to pursue your degree after you read the July 5, 2018 email?

Mr. INFUSINO. So I had two options: That was to receive a closed school discharge, and that was applicable to me because I was still enrolled at the time when making these decisions. But that would leave me still—it would leave my father out thousands of dollars paid out of pocket. So, I decided that that was not going to be the choice for me. But—and so, there were limited colleges that would actually accept my credits, because the Art Institute's accreditation agreement with a couple of—like a handful of schools would—only like two or three of them would have actually got me a similar degree.

So, I had decided to go with the school now that I currently am at, because it only gave me about a year left of school. It added an extra year, and it was all online, so I can work.

Mr. KRISHNAMOORTHY. And I guess what were the promises that Illinois Institute of Art made to you when they were recruiting you from high school?

Mr. INFUSINO. They had explained that their internship program would get us into the heart of the media industry. And, of course, with me not knowing much about the industry at the time, I said, Sure. Why wouldn't they know? Why wouldn't their internship program get me into the audio industry? But this absolutely was not the case.

Mr. KRISHNAMOORTHY. Let me ask you this: So Diane Auer Jones is going to appear before our panel in the next hour. What is the question that you would ask her if you had a chance?

Mr. INFUSINO. One question of mine is why hasn't the Department responded to our letters from my lawyers? And what is the Department going to do about our loans? Because this has just been in the air for years, and I'm already adding onto my loan right now going to school.

Mr. KRISHNAMOORTHY. And what is your loan total now, do you know?

Mr. INFUSINO. I don't know offhand, no.

Mr. KRISHNAMOORTHY. Okay. Mr. Madaio, what questions would you ask Diane Auer Jones at this point?

Mr. MADAIO. I would say, first, will you work collaboratively with the state AGs to help students, and will you consider and discharge the full loans for students who have been lied to and deceived into attending schools?

Mr. KRISHNAMOORTHY. So you're saying that right now the Department is not acting on any of those moves or requests for discharge of loans for defrauded students?

Mr. MADAIO. Yes. It's my understanding they have not acted on any for months, and there are over 158,000 outstanding.

Mr. KRISHNAMOORTHY. Thank you, Mr. Madaio.

I'd like to correct the record briefly. I believe a witness statement may have—I believe in a witness statement, a witness may have misspoken. The gainful employment rule applies to nondegree programs at public and nonprofit colleges. I just want to make sure that's clear.

Okay. With that, I will recognize Dr. Foxx for questions for five minutes. Dr. Foxx, the clock is on.

Ms. FOXX. Thank you very much, Mr. Chairman. I appreciate it. And I appreciate all the witnesses being here today.

Ms. Burke, this hearing is designed by my Democrat colleagues to target one specific sector of the postsecondary education system, and I appreciate your bringing data that talks about all segments. The strategy may be politically convenient for them, but it tells me and the American people they do not care about the vast majority of students getting served by public and not-for-profit colleges and universities.

I'm interested in examining the practices of all institutions of postsecondary education. This conversation about reform is incomplete, unless we make sure all institutions are held accountable and producing positive outcomes for all students. So a real problem for too many Americans is the rising cost to college and the burden of student loan debt. Could you please elaborate on how we, as a Nation, got to a point where over 40 million borrowers owe \$1.5 trillion in student loans?

Ms. BURKE. Thank you, Representative Foxx. And that's a great question, and insightful. We should be thinking about how policies across the board, particularly as promulgated at the Federal level, have impacted higher education writ large. And those policies have done exactly what you just outlined, they have gotten us into a position where we are \$1.5 trillion in student loan debt. That is a number that should keep everyone up at night, and that is a number that has been exacerbated through this policy, unfortunately, of subsidizing higher education at a rate that is just breathtaking from the Federal level.

It was prescient back in 1987, when then-Education Secretary Bill Bennett suggested that this exact issue would come to bear, and it has, that when you spend profligately at the Federal level, that that will encourage colleges and universities, as he put it, to raise their tuitions profligately. And that is exactly what has happened. We have seen the cost of college greatly exceed the rate of inflation over the past three to four decades. We have seen the cost of college greatly outpace wage earnings. And all of that should suggest to all of us that this policy of continuing, to quote Dr. Richard Vetter, of dumping money out of airplanes onto universities from the Federal level, have not made college costs cheaper for average families.

And then I would also just say, if I could, that you're right in identifying that these are issues that affect students sector-wide. Low graduation rates are not an issue that we see only in one sector and not another. If you pull up the Federal college scorecard today, and if you filter the results by public universities only, and by graduation rate, you will find three dozen public universities with graduation rates in the single digits. That's an issue across the board.

Ms. FOXX. Say that again. Three dozen, 36—

Ms. BURKE. Thirty-six.

Ms. FOXX [continuing]. schools that have graduation rates in the single digits.

Ms. BURKE. Yes, ma'am.

Ms. FOXX. That needs to be talked about more. A followup question: What effect would capping student loans, particularly the Grad and Parent PLUS loans, have on students, institutions of higher education, and the economy?

Ms. BURKE. Well, I think the immediate effect would be twofold: It would be a little fiscal restraint at the university level; and it would greatly limit another issue that should trouble everyone, which is the amount of taxpayer exposure that is currently out there to this \$1.5 trillion in outstanding student loan debt.

There is a report that came out in 2015 from the Federal Reserve Board of New York that looked at subsidies in higher ed and their impact and Grad PLUS in particular and these Federal subsidized student loans are egregious drivers of those increases. They found that for every dollar in subsidized student loans, universities raised their tuition 60 cents. So eliminating that, making space for private lending to reemerge would help both students and taxpayers.

Ms. FOXX. Thank you very much. One more followup question: It seems to me institutions have a lot to gain by enrolling students, but have very little incentive to help students complete their education programs and earn a good-paying job after graduation.

What would the advantages be if Congress instituted a skin-in-the-game proposal that required all institutions to share in the risk of student loan repayment outcomes?

Ms. BURKE. That's a great question, and I think that there is merit to proposals like that that are on the table that actually says to colleges and universities, You are responsible for ensuring that, not only your students learn an adequate amount from the time they enter to the time they leave, but they actually leave prepared

to enter the work force. Transparency is another good way to get there.

Ms. FOXX. Mr. Chairman, the clock didn't start working when I started, so I'm going to yield back my time to be fair. Thank you.

Mr. KRISHNAMOORTHY. Thank you so much, Dr. Foxx, for your fairness. Thank you.

Let me recognize Congresswoman Hill for five minutes.

Ms. HILL. Thank you, Mr. Chairman.

I want to make a quick distinction based on the previous comments. Only 25.6 percent of for-profit students at four-year colleges graduate within six years, 25.6. However, that number is 60 percent for all other schools. So there is obviously a very important distinction. Let me move on.

Mr. Madaio, can you please explain what the gainful employment rule is, just very briefly, and what it was designed to do and the people that it might benefit?

Mr. MADAIO. Yes. The gainful employment rule, first, I want to emphasize, it's designed because the Higher Education Act says that for-profit schools have to have programs that lead to gainful employment, for-profit schools and other certificate programs at publics and nonprofits, as the chairman mentioned.

So that's what the HEA says. That's why all for-profit programs fall under the gainful employment rule. It's designed to protect students from going into a bad program in the first place, instead of only helping them afterwards. And I should point out one point, that since the failures, it's been calculated that 350,000 students took on \$7.5 billion in student loan debt from programs that have failed the metric.

Ms. HILL. Thank you. So not sending Federal funds to worthless programs seems like a pretty commonsense idea. So how many schools has the Department of Education cutoff funding to under the gainful employment rule?

Mr. MADAIO. Zero.

Ms. HILL. Great. Is that because no schools would fail the test set by the rule?

Mr. MADAIO. No. 743 programs failed the test when the numbers came out.

Ms. HILL. Can you explain the steps that the Department of Education has taken to stop the rule from going into effect?

Mr. MADAIO. Yes. The Department has kind of taken a two-track approach. It's attempting to rescind and revoke the rule and get it off the books, but until it can do that, it's tried multiple ways to either delay the implementation of certain parts of it, or just ignore the enforcement that it's required to do on other parts of it.

Ms. HILL. So to me, it's clear that the prevention of this rule going into effect benefits the for-profit schools. Is there any possible explanation for how killing the gainful employment rule helps students?

Mr. MADAIO. It does not help students. It's either protecting schools, or it's hurting students.

Ms. HILL. And can you explain what the borrower defense rule is?

Mr. MADAIO. Yes. The borrower defense rule is put in place to protect students after fraud occurs and discharge potential loans, and also protect taxpayers from fraud.

Ms. HILL. Can you just give a quick example of how schools defraud students?

Mr. MADAIO. Sure. So during recruitment, schools—and we have found this in our investigations in our cases. There's boiler-room type high-pressure sales that involve, what they call "the pain funnels," what schools use to emphasize the pain in students' lives.

They deceive them about how much money they can make after graduating, about their chances of getting a job, called a job placement rate. How many students get a job, deceive them whether credits can transfer, where often credits cannot transfer to other schools from for-profits.

Ms. HILL. So it's basically false advertising?

Mr. MADAIO. Correct.

Ms. HILL. And the Department of Education has tried to kill that rule, too?

Mr. MADAIO. Yes. It's tried to change that rule as well, yes.

Ms. HILL. So the Department of Education has not succeeded yet in killing this one, so it's on the books and enforceable. Is that right?

Mr. MADAIO. Yes.

Ms. HILL. Any idea when the Department of Education last ruled on a borrower defense claim?

Mr. MADAIO. I believe it was July 2018.

Ms. HILL. And do you know how many outstanding borrower defense claims the Department of Education has before it?

Mr. MADAIO. I believe approximately 158,000.

Ms. HILL. Oh, my gosh. Can you give us an example of a college with a large number of students who should have their borrower defense claims granted?

Mr. MADAIO. Yes. The Corinthian Colleges chain, Everest University. This is one the Department has already investigated, already found that it lied to students when it recruited them about the job placement rates.

Ms. HILL. And has the Department of Education given a reason why it will not grant relief to these students, to these defrauded students?

Mr. MADAIO. The Department has not provided any reason, no.

Ms. HILL. So 158,000 students are waiting on the Department of Education to do its job. The Department of Education's refusal could force any number of these students to miss their rent, or even their next meal. When Ms. Jones appears on the next panel, I sincerely hope she can explain why the Department of Education refuses to do its job and is hurting thousands of students in the process.

Thankfully, state attorneys general have stepped up to help students in the Department of Education's absence. Has the Department of Education taken any actions that have hurt your ability to help students, however?

Mr. MADAIO. Yes. The Department has basically shut off all contact with state AGs. So when we find evidence and we bring them in cases, or we settle with schools, that evidence is basically ig-

nored and the schools can continue on doing what they're doing even after they settle cases with us.

Ms. HILL. So the Department of Education has been so derelict in its duties, that states attorneys general, including Attorney General Frosh, have been forced to sue the Department of Education to do its job, and enforce the gainful employment rule and borrower defense rule. It's sad that it's come to that, but thank you for trying to help students.

Mr. Madaio, Mr. Halperin, I invite each of you to share one piece of advice that you might have for Ms. Jones. Hopefully, she is listening.

Mr. HALPERIN. What I find remarkable is all the Department decisions seem premised on the idea that students are con artists who will take advantage of the Department if they grant debt relief, or provide other ways for students to have their rights protected, when all the evidence is that the fraud has been by schools, a large number of for-profit schools.

Mr. MADAIO. And I would just say that it's within your discretion to cancel loans, all the loans for students who were lied to to go to a school, and the Department should do that.

Ms. HILL. Thank you. I yield back.

Mr. KRISHNAMOORTHY. Thank you, Congresswoman Hill.

Congresswoman Miller, you have five minutes.

Mrs. MILLER. Thank you, Chairman Krishnamoorthi and Ranking Member Cloud. And thank you all for being here today.

Dr. Burke, today, only a quarter of students are repaying both the interest and principal on their student loans. Department of Education data clearly demonstrates that all sectors of higher education have poor performances, poor graduation rates, high default rates and high debt to earnings. Don't you agree that we should hold all institutions accountable for poor outcomes?

Ms. BURKE. I do.

Mrs. MILLER. I fully support governmental efforts to hold bad actors accountable. We know from the college scorecard data that oversight and accountability is necessary for institutions in all sectors of higher education. Do you agree that we should apply accountability across all higher education sectors, particularly including debt to earnings, since students face challenges regardless of what kind of school they go to?

Ms. BURKE. As long as these regulations are in place, they should be applied neutrally across the board to all institutions.

Mrs. MILLER. Recent research has shown that just 12 percent of students enrolled in a certificate program at a for-profit would have had access to a similar program at a nonprofit institution. It seems that for-profit schools can fill an important void in our postsecondary education system. Do you agree?

Ms. BURKE. I would agree with that.

Mrs. MILLER. If these type of certificate programs no longer exist, what options are available to students?

Ms. BURKE. And this is the issue. Other institutions are selective in their admissions, and selective, as it suggests, means that not everyone will get in. So closing down a single sector, or promulgating rules that only target a single sector, will hurt those students and their opportunities writ large.

Mrs. MILLER. Correct. For-profit colleges are responsible for about half of all two-year computer science and information technology degrees in the United States. If there are less for-profit colleges, would the result be a major skills gap in the American work force?

Ms. BURKE. Yes. And this is an issue for the work force writ large, that we have a gap when it comes to things like cybersecurity and technology, and everything that you've just outlined. And this is a critical area that these institutions are filling that may not be filled otherwise.

Mrs. MILLER. Thank you. I yield back my time.

Mr. KRISHNAMOORTHY. Thank you, Congresswoman Miller. Congresswoman Shalala, you are on the clock.

Ms. SHALALA. Thank you very much. We've heard discussion about the Dream Center for-profit chain closure today. I understand some of these schools were sold off right before the collapse to a nonprofit organization called the Education Principal Foundation and a related for-profit corporation named Studio Enterprises, which is providing extensive services to these schools.

Mr. Halperin, can you explain this arrangement and your understanding about how it came to pass?

Mr. HALPERIN. Well, the arrangement was that the Education Principal Foundation, a nonprofit organization, would own the schools, many of the former Dream Center Schools, and the Studio company would get the lucrative contract to service the schools in various ways and make money from the student aid that was coming in.

Now, what wasn't said when all of this was announced was that a private equity lending firm in New York, called Colbeck Capital Management, was behind both the foundation and the for-profit company that would be servicing it. If they were proud of that arrangement, why didn't they tell us? I don't know.

But how it came about, I double-checked my source today inside the Dream Center world, and he texted me the following email, and it says the following. This is from December 2018, and it says—this is within the Dream Center organization, which is falling apart and ready to close schools—"I just got a call from Diane. We have been summoned to a meeting on Wednesday from 1 to 5 to resolve the transaction. Once and for all, the Department wants to resolve the situation. We want the lenders there. We want Colbeck there. We want Dream Center." And according to my source inside of this organization, spoke to today, again, reaffirmed that the Department said, You have to make this deal. All the Title IV money will now go through the head of Colbeck, this private equity firm in New York, and you have no choice. And that's when Brent Richardson, who was the head of the Dream Center Education Holdings, said, Well, then, I resign. So that's how I understand it went down.

Ms. SHALALA. So Diane Auer Jones played an integral role in that transaction?

Mr. HALPERIN. I'm very confident that's the Diane that's referred to in the email.

Ms. SHALALA. I understand that there's a trend of for-profit schools trying to convert to nonprofit status. Can you explain how

that works? In my state, for example, when they made the conversion they leased the building——

Mr. HALPERIN. Yes.

Ms. SHALALA [continuing]. from the for-profit. In other words, it wasn't quite so nonprofit.

Mr. HALPERIN. Yes. Ms. Shalala, you are referring to Keiser University.

Ms. SHALALA. Exactly.

Mr. HALPERIN. A powerful political person in your state, Art Keiser, who transformed his school in the same way that CollegeAmerica—to which I referred earlier—did, which was to sell the school to a nonprofit organization at a very high valuation. This was such an outrageous valuation that The New York Times ran a front page story on those two transactions.

In other cases, a new nonprofit is set up. But in all of these cases, either the former for-profit owner, or somebody else, is continuing to make big money. The school, as I said, with Grand Canyon can advertise, Hey, students, we're a nonprofit, but, in fact, they're still functioning and structured as a for-profit.

Ms. SHALALA. It seems very fraudulent.

Ms. BURKE, can I ask you a question? Since I've chaired a lot of accreditations of universities, including, most recently, Boston College, the organization ACICS, which has been reinstated by the Secretary, does not seem to have the same standards for their national accreditation of these schools that we're talking about today, that the regional organizations do.

The regional organizations have a very rigorous standard and review, including the institution spending a year preparing the data, and then they bring in teams. I've done Berkeley, I've done colleges in the South, and, most recently, Boston College, as I indicated. I don't see any of that in the accreditation of the schools that we're talking about.

Ms. BURKE. So there are, indeed, differences between the national and the regional accreditors. But if accreditation is an issue, I would argue that it is not fulfilling its role of quality assurance across the board, which is what it should be doing.

When we have public and nonprofit universities that have extremely low graduation rates themselves, when students are exiting all of higher education, again, not confined to one sector, with high levels of debt, when we have \$1.5 trillion in outstanding student loan debt, and when employers across the board are increasingly reporting that their employees are not prepared to enter the work force after going through higher education, I would argue, again, that accreditation, as currently structured, is not fulfilling its job, for any of the institutional sectors; and that job should be quality assurance, and that's what it's falling down on.

Ms. SHALALA. Well, that certainly is not my experience of the kind of outcome measures that accreditation at the regional level currently have.

I yield back.

Mr. KRISHNAMOORTHY. Thank you, Congresswoman.

Congressman Roy, you have five minutes.

Mr. ROY. Thank you, Mr. Chairman, I appreciate it.

Thank you all for being here today, and taking part in this important subject. I apologize. I missed the first part of this. It's not unusual around here. I had competing hearings. I had five hearings today. So I've been running around. But I appreciate you all being here.

A question that I wanted to explore a little bit for you, Ms. Burke. Is it true—and I apologize if this is rehashing anything that was said before I got here—that the data I have is that there are more than 44 million borrowers who have collected over \$1.5 trillion in student loan debt in the United States. That was a 2016 number. Does that sound about right?

Ms. BURKE. Yes, there's \$1.5 trillion outstanding in student loan debt.

Mr. ROY. I guess what I've been trying to wrestle with—I have three degrees: University of Virginia twice, Texas, paid my way partway through school, scholarship help, some athletic scholarship help, but still had debt. And I got through—went to two relatively affordable institutions, the public universities in both states, Virginia and Texas.

What I'm trying to wrestle with is the value proposition of higher education today. And I've got a nine-year-old and an eight-year-old, and I can't say today that in a decade that I will suggest to them that the value of going to any one of our top, fill in the blank, U.S. News and World Report or otherwise institutions of higher learning is worth the price.

And what I'm trying to wrestle with is, our, I think, collective goal of ensuring that people can be educated and have opportunities and pursue their dreams and so forth, but the best way to do it in the 21st century world, where we want to have lots of different options, lots of different opportunities, and not be saddled with just what we understand is the education that we've always understood, right? I mean, University of Virginia, I love it, right? Great history. Thomas Jefferson and a lot of wonderful components to it. Great big beautiful brick buildings and so forth. UT, the same way, lots of other institutions.

There's a lot of cost to all of that. And in a world in which you can get just as educated pretty quickly, looking at the lectures of some of the best minds in the world through online means and other ways, I guess this is—I'm filibustering half of my own time here. I just wanted to ask: How do you visualize 21st century education and now even 22d century education as we start to look ahead? And how do we break this down? We can go back and forth about student loans, and who's paying for what and all that, but we ought to be much more creative, I would think, about how we're making this work, and how accreditation and how we view all this, how this comes together. So if you could maybe expound on that a little bit.

Ms. BURKE. Thank you for that question. And I did my master's at UVA as well so I have an infinity for UVA. And you're absolutely right, the nature of education from K–12 through higher education is changing; and it's something, unfortunately, that Federal policy, both in terms of accreditation and how you can access Federal student loans and grants, has not kept up with. To quote one of my professors at UVA, Dr. Keith Williams, he notes that col-

lege costs are higher than at any other point in time at a time when access to knowledge is cheaper than at any other point in human history.

And so we have to ask ourselves, Why is this the case? This is an issue that we have created through this robust, overly robust system of Federal subsidies. And until we think about reconfiguring that system, I think, in a way that actually gets to some of these structural issues, then we're not going to see that cost go down.

And so I would recommend two things in particular: One would be reconfiguring accreditation so that we actually decouple accreditation from Title IV funds, from Federal financing, to enable the mid-career switcher or the single mother or, you know, whoever it might be that cannot spend four years in a traditional brick-and-mortar college to enable them to actually take their grant aid to individual courses, and courses of study, and really customize their higher education experience. And at the same time, we need to cut-off that open spigot of Federal student aid. Until we cap that, we are going to continue to see colleges raise their tuitions blithely.

Mr. ROY. Really quickly, because then I want to get—Mr. Halperin, you were shaking your head. I want to get your perspective on it. A quick answer, Ms. Burke, do you think that we are encouraging people through student loans to go to schools that aren't necessarily a match for their particular skill sets or interests, in terms of driving people to four-year institutions instead of maybe perhaps other alternatives?

Ms. BURKE. Yes, 100 percent.

Mr. ROY. Mr. Halperin, you were nodding during some of this. I just wonder if you have any thoughts on it, and then I'll yield back.

Mr. HALPERIN. I agree with much of what the two of you just discussed. My issue is why—and I sometimes agree with Ms. Foxx and others. Why are we talking about the for-profit college sector? But the reason is, because we created a monster with the for-profit college sector. Why are we even talking about sending money to schools that have been sued repeatedly by state attorneys general for fraud, that have shown repeatedly that they leave students with overwhelming debt.

Those bad actors, not all for-profits, but the bad ones should be out of the system so that higher ed experts like Ms. Burke could focus on the actual hard questions in higher ed, the very questions you are raising. But why we are spending time on fraud is because the fraud is going on. As we sit here, students are being deceptively recruited into programs that will ruin their financial futures. I would love to move on and talk about the real issues in higher ed.

Mr. ROY. No disagreement on getting rid of bad actors, just to be clear.

But thank you, Mr. Chairman.

Mr. KRISHNAMOORTHY. Thank you, Congressman Roy.

And let me, just before I go to Congresswoman Tlaib, Mr. Halperin, can you also commit to submitting that correspondence that you referred to earlier, the email correspondence to the subcommittee to be entered into the record?

Mr. HALPERIN. Yes, once it's stripped of certain markings, because the person who sent it to me does not want to be named. I think ultimately, you should bring the Dream Center folks here and ask them what happened.

Mr. KRISHNAMOORTHY. I understand. Thank you.

Congresswoman Tlaib, you have five minutes.

Ms. TLAIB. Thank you so much, Chairman. In 2015, Corinthian Colleges was the largest for-profit school in the country. Since its collapse, documents obtained through FOIA show that the college marketing and advertising plan was tailored specifically to low-income people and single mothers of color.

The internal documents described these potential students, get this, quote, "desperate for a better future and afflicted with 'low self-esteem.'" This is pretty appalling. Internal strategies such as these reflect another example of corporate greed and the willingness to use whatever means to exploit students. When only 25.6 percent of students who enroll in four-year for-profit institutions graduate with six years and even then, employment prospects are grim, but you know what isn't grim is the increased profit margins of these for-profit colleges.

Mr. Madaio, as an assistant attorney general, what more should the Department do federally or in collaboration with state AGs to combat fraud and deception within industry, especially when they target communities of color?

Mr. MADAIO. I think the most important thing is actually investigating, looking into it, collecting the documents that the states collect, reviewing the group discharge applications, which are basically an application that a state AG can file on behalf of a large group of people and saying, here's a pattern and practice that we have investigated. Here's ways you could do your own investigation, but the bottom line is we need to figure out that there was fraud here and if there was fraud there, to discharge the full amount of debt.

Ms. TLAIB. Thank you. Mr. Halperin, it is my understanding that a significant number of for-profit schools have engaged in serious misrepresentation that we've been talking about. Can you provide some specific examples of some of those misrepresentations, and explain how they hurt the students?

Mr. HALPERIN. Well, many, many schools that have been sued by state AGs for the kinds of things that Chris talked about, these schools are set up to separate students from their money, and from our taxpayer money, to get them to sign up. So a student will come in, like Mike DiGiacomo, a friend of mine who lives in Massachusetts. He was an Army veteran. He came home from service, and he went to a school and said he wanted to design video games. That's what a lot of young people say. And they said, Great, we have a program in that. But when he got there, they didn't. They had a program in graphic design. And he stayed in that program and they kept saying, Video games are coming. This school was called Gibbs. It was owned by Career Education Corporation, the same company that Ms. Jones worked for until 2015.

So Mike stayed in this program. On graduation day, he paid all the money and he had not learned anything about how to design video games. His internship was with an architect, and he did the

architect's laundry while the architect went mountain biking with his girlfriend.

So, Mike got his degree. He was so disgusted on graduation day that he mopped the floors of Shaw's Supermarket, where he was still working. Then he thought, Well, what am I going to do with these credits? I'm not a graphic designer.

He was recruited by another school, the New England Institute of Art. That sounded like a good school. Guess what? That was one of the art institutes that RJ went to that was owned then by a predatory company, by EDMC, and later by the Dream Center, and now those schools are owned by Studio. And there again, they promised him he would be a video game designer, and they kept not having the programs that really helped him.

Finally, one day they called him in the office and they said, You're going to have to take out one more big private high-interest loan, or you're not going to be able to stay here. And he said, that's it, I'm done. Mike is now trying to support his family. He lives in Boston. All of that education never got him a thing to help him with his career. He owes approximately \$100,000 for that educational experience that was worthless to his life.

Ms. TLAIB. No, I couldn't agree more how outrageous it is. Under the prior administration, the Department of Education determined that ACICS was not fulfilling its role as an accreditor and stopped recognizing it. Ms. Jones, who we will hear from shortly, authored a decision reversing that decision and acknowledging that ACICS is an accreditor. Can you explain how that decision hurt schools or students?

Mr. HALPERIN. ACICS was the accreditor of Corinthian, of ITT, of some of the EDMC schools, of many of the worst schools, more alphabet soup, ATI, schools that were caught defrauding students, systematically stealing their money, lying to the government about job placement and about financial aid. So when the Obama Department of Education finally said, Look, we're tired of rubber-stamping these accreditors, that was a momentous moment. It's not like the Obama Department was doing everything that students wanted. The industry lobbyists had a lot of sway with them and pushed them back from doing good things.

So that decision said that accreditor is out of business and schools are going to have to find another accreditor. And it also sent a message to other accreditors, you've got to straighten up.

Ms. TLAIB. Thank you so much. And I have a resident who attended Michigan Computer Institute in Southfield, was shut down in 1992. She currently is burdened with \$30,000 debt from a school that shut down while she was in attendance. She has no degree, certificate, or any diploma to show for it. What does she have? A \$30,000 bill. It's truly mind-boggling. And I appreciate the chairman having this hearing.

The misrepresentation on the quality cost and job placement rates is, alone, something that I think and hope that this administration will take very seriously in trying to fight for these students and these people and our communities that are impacted directly. Thank you so much, Chairman.

Mr. KRISHNAMOORTHY. Thank you, Congresswoman Tlaib.

Next is our ranking member, Mr. Cloud. You have five minutes, sir.

Mr. CLOUD. Thank you all, again, for being here. Thank you, Chairman. Mr. Infusino, I just want to thank you for being here. I know coming to Congress can be pretty intimidating, and you're demonstrating courage in being here, specifically with your circumstance, so I appreciate that.

Obviously, I think there is unanimous support. We want to punish bad actors. Bad actors need to be punished, there's no doubt about that. I think it's even better if we can protect students at the beginning. But we are in a challenging environment in that industry is changing. The world we live in is changing. One of the major issues we have now from an employment standpoint is we have almost full employment, and we're lacking in skilled trades. We do need more tech schools. We need more education opportunities that are outside the four-year traditional university approach. As has been discussed, there's major debt that has been accumulated with students, and the job placement in traditional four-year institutions isn't all that stellar either.

How do we provide good information in this environment? The thing that I'm concerned about is our government has a tendency to fix things with a big broad brushstroke instead of fixing the issues. We saw this in the too-big-to-fail fiasco, where instead of punishing the bad banks, we punished everybody. And so community lending and small banks are suffering.

So how would you recommend that we address this issue in a targeted way that fixes the problem without prohibiting schools that are doing it right, that are providing opportunities for minorities, that are providing opportunities for skilled trades, that are doing these sort of things, that we desperately need in our economy, and not just for our economy, for the sake of those individuals who need opportunities for growth and development and upward mobility? How do we do that? If you can, Ms. Burke, Mr. Halperin, you can each speak to that.

Ms. BURKE. Thank you. So just a couple of points. If you look at BLS data, the median wage for construction supervisors is around \$70,000 per year; for plumbers, it's around \$56,000 a year; electricians, \$59,000 a year. So I say that just to mention that your point is well-taken, that these are jobs that are vital in the economy, and that it is just something we need and that the market is rewarding. Speaking of the market, I would say that that is the best way to deal with most of these problems. Let the market determine program pricing and student borrowing.

And then, finally, I would say what I mentioned earlier, as long as these regulations exist, whether it is gainful employment rules, the 90/10 rule, whatever it might be, that we need to apply them across the board. If transparency works—and transparency does work—then it should be applied to all universities, not just a sector because of that sector's tax status.

Mr. HALPERIN. Mr. Cloud, as I said at the beginning, all members should be against waste, fraud, and abuse and against programs that leave students worse off than they start. I submit to you that is what the Obama gainful employment borrower defense rules did. They are very modest rules. Only 10 percent of career

education programs and for-profit programs flunked the first round of the gainful employment test in a sector that has a lot of poor performing schools.

These were hard-fought rules where there was a lot of give-and-take between the industry lobbyists who were here, and my colleagues who were here. And we went back and forth. We did not get anything like what we thought was appropriate to protect students. These are modest rules, and what they say is the money should go to the schools that are helping students and programs and not go to schools and programs that aren't. That's all we've asked.

And I submit if you take a look at those rules, what's really going on is that the industry is saying, with all the money they get from taxpayers to hire lobbyists, we don't want any accountability. And it is not a free market program; it's a government program, there should be performance standards. And I truly think that's what the Republican Party ought to believe.

Mr. CLOUD. Well, even in a market approach, the market approach works when you have a full idea of what the product is. And, so, transparency is a key essential element of a market approach.

A couple questions here: The gainful employment rule, if it were to be applied, is there a reason it should not be applied then to degree programs as well? And, I think the question that we have is why is it being isolated to certain sectors? And then, in the sense of transparency on the front end, if there is a way almost like a food labeling law for schools and universities, what things would you think should be on that list?

Mr. HALPERIN. Well, as Mr. Madaio said, the rule is based on a statute that talks about gainful employment. That only mentions—the statutory authority for the rule comes from a provision that only mentions for-profit programs and certificate programs and other institutions. So it doesn't just single out for-profits.

And the other reason to do it that way, is because the evidence is that there has been fraud and abuse in that sector. The other sectors, you do not have so many students. Yes, we have a debt crisis we need to fix, but you don't have students coming in and saying, We were lied to. We were deceived. And that is what the for-profit college industry, many of the bad actors are set up to do, to systematically take students who are the first in their family to go to school, and don't know what they're getting into and say to them, This is your dream, This is your opportunity, sign now or there won't be any real room, this is a selective school. And that's when they sign and that's when their lives get ruined.

Ms. BURKE. Again, I would direct everyone to the single-digit public school outcomes on the Federal college scorecard. Higher education, again, needs reform across the board, not just one sector.

But to answer your question directly, no, I mean, we should not have a gainful employment rule that only singles out one sector, based on its tax status. And yes, it is in Title I of the HEA that that language is there. But currently, HEA is under reauthorization right now, so it's a great opportunity to revisit some of that.

Mr. KRISHNAMOORTHY. Thank you. Thank you, Mr. Cloud.

Congressman Connolly, you have five minutes.

Mr. CONNOLLY. Thank you very much.

Ms. Burke, I'm having trouble understanding the point you're making. You went to UVA?

Ms. BURKE. I did.

Mr. CONNOLLY. As did my daughter. So UVA was constantly singled out for defrauding students, for false advertising, for doctoring documents, for lying to the Federal Government about financing and other methods. Is that correct?

Ms. BURKE. Not that I'm aware of.

Mr. CONNOLLY. No, not that you're aware of. But the institutions we're talking about most certainly have been accused of all of that, and yet you, in answer to Ms. Foxx, want us to believe there's a false equivalence. They ought to all be treated the same. That's your testimony?

Ms. BURKE. I'm saying that the rule should be applied across the board.

Mr. CONNOLLY. Why would we do that if one is a problem and the other is not? Why wouldn't we try to protect consumers by distinguishing between the two?

Ms. BURKE. Because we're not, because we don't apply the rule universally.

Mr. CONNOLLY. No, you're missing the point. When we see a problem with one category and not the other, why wouldn't we be logically in our right to distinguish in the law so that we are dealing with the problem Mr. Infusino had and you didn't.

Ms. BURKE. No one is dismissing that there is waste and fraud and abuse in higher education, and that there are bad actors in every sector.

Mr. CONNOLLY. Yes, that's your testimony, which you continue to repeat a false equivalency, it's a problem across the board. As a matter of fact, it is not. We just heard Mr. Halperin say, No, there's a distinction to be made here. And that's why it's reflected in the law.

And what you would do, if you had your way, is have us dilute that law so that, in fact, we couldn't protect people like Mr. Infusino from being defrauded by these institutions.

Ms. BURKE. If I had my way, I would cut out the Federal subsidies altogether, to actually drive down costs and fix a lot of these broader systematic issues.

Mr. CONNOLLY. Yes, and I wanted to go on to that too. If you had your way, if I understood you correctly, in response to Ms. Miller, you'd cap, or actually reduce or eliminate student loans?

Ms. BURKE. Yes.

Mr. CONNOLLY. Would you do the same for GIs when they're returning from service?

Ms. BURKE. So that was a pre-1965 issue and it was, in fact, the first time the Federal Government really got involved in student lending. One could say it was a toehold to student lending. But what we know for sure is that post-1965, separate from the GI issue, that that accelerated it.

Mr. CONNOLLY. What about the GI issue, because we updated the GI bill actually during George W. Bush's administration. In fact, it was a colleague from Virginia, Mr. Webb, who took great pride in

that. So, I mean, we upgraded that. Should we get rid of GI loans for education for returning veterans because after all, according to your testimony, presumably, it contributes to the problem.

Ms. BURKE. Servicemembers have put their lives on the line for our country and—

Mr. CONNOLLY. But that's not the issue. Excuse me. I only have a little bit of time. Forgive me for interrupting. But, I mean, that's really not the issue, is it? The issue isn't who put their lives on the line. The issue is the infusion of money that is contributing to the problem, according to your testimony. Money is money. Whether it goes to GIs or whether it goes to students like Mr. Infusino, it's corrupting the system, it's filling the funnel that you say contributes to the problem.

Ms. BURKE. The problem exceeds any sort of targeted option for our servicemembers, where there is a national security rationale for the Federal Government being involved. We spend more than \$100 billion a year on these Federal subsidies, and that's driving the high tuition costs.

Mr. CONNOLLY. Ms. Burke, are you at all familiar with how institutions game the system at the expense of returning veterans? I mean, my lord, you want to look at that problem. I mean, it's hardly problem-free. They exploit veterans all the time. I could give you, in my own experience, a gazillion examples. I have to deal with it, in terms of my constituents.

Mr. Madaio, you are shaking your head yes.

Mr. MADAIO. Yes. I mean, in 2012 state attorneys general settled with what's called a lead generator, that was essentially lying to students and saying, Here, the gibill.com, come to these. And the only options it gave students were for-profit schools, because it was employed by for-profit schools to do that.

Mr. CONNOLLY. That's right. Mr. Halperin, you are also shaking your head yes.

Mr. HALPERIN. After they shut that down, I pointed out—I testified at the FTC—that army.com was still running. That army.com, no matter what you said you wanted to do with your life, they said Grantham University is the right school for you that. Was a for-profit school. Army.com was owned by a fraudulent lead generator that eventually the FTC did shut down, and many more. All over the web there's websites that say, do you want home heating assistance? Do you want a job? Do you want food stamps? And all they are is a way to get you on the phone with a recruiter for a for-profit college.

Mr. CONNOLLY. So, Mr. Chairman, my time is up. Ms. Foxx, when she began her questioning, actually characterized Democrats' motive in today's hearing. Let me return the favor. If we listen to the Heritage Foundation testimony and heed it, we are protecting people who are defrauding our students all across the United States.

I yield back.

Mr. KRISHNAMOORTHY. Thank you, Congressman Connolly. I just want to add that not only veterans, but everyone deserves a quality postsecondary education.

With that, I want to recognize Congresswoman Pressley for five minutes.

Ms. PRESSLEY. I want to thank you, Mr. Chairman, for holding this important hearing. During my eight-year tenure on the Boston City Council, prior to being elected to Congress, I held one of the first hearings in the Commonwealth of Massachusetts on the deceptive practices of for-profit colleges, and shed light on the irreparable harms posed by many in this industry.

I am proud that my home state of Massachusetts, thanks to the tireless work both, respectively, of Attorney General Martha Coakley, initially who was my partner in this effort, and now my dear friend and partner in this effort, Attorney General Maura Healey, have consistently led the charge against this predatory industry and in support of the students and families that have been harmed.

This industry raked in record profits at the expense of the hopes and dreams of many of our most vulnerable communities. The statistics are staggering. Black and Latino students make up less than 30 percent of all students, of college students, yet they comprise almost half of all students at for-profit colleges. This is no coincidence.

In fact, before the Corinthian College chain collapsed in 2015, records show that it spent nearly \$650,000 to directly market communities of color on networks like Black Entertainment Television, BET. For-profit colleges even went so far as trying to affiliate themselves with HBCUs to appropriate the historical significance of these institutions for the sole purposes of exploiting the very communities those institutions serve.

As a result of loopholes, these schools have lined their pockets with 100 percent of Federal taxpayer dollars, while consistently failing to meet quality benchmarks and demonstrating a pattern of breaking state and Federal laws. And while this industry runs rampant, the administration makes no attempt to rein them in.

Mr. Madaio, in the absence of this administration's leadership to protect students from this predatory industry, can you speak to how states and municipalities are stepping up and specifically what we're seeing from attorneys general. And I would also be curious—when I did that first hearing, it was to make an appeal to the city of Boston—at the time the mayor was Tom Menino—to replicate what I considered to be a successful program in New York, a know-your-risk consumer awareness campaign, but I was unable to get that done. So could you just speak to what's happening with attorneys general and municipalities and what's working?

Mr. MADAIO. Yes. Attorneys general, obviously, have an enforcement arm so they can perform investigations, find those schools that are targeting people of color, targeting the single parents and targeting them with the lies and deception. And, of course, states now finally have to, because the Federal Government has totally stepped back in setting up protections for students for state laws.

Of course, there's only so much they can do. A lot of students say, Well, I went to the school because the Federal Government was giving it money, so I assumed it was good. So states can try to do something. Some states have put tuition recovery or bond programs in place to protect when students pay out of pocket, like Mr. Infusino's father did, and if a school closes, they could actually

get money back. States set up other required programs and could do things to protect students, and they slowly are.

Ms. PRESSLEY. Do you feel that this administration is actively working to undermine any of these states' efforts?

Mr. MADAIO. Well, yes. I mean, the Department has made its intention clear that it feels like states are preempted from, for example, enforcement for laws or enforcement actions against student loan servicing companies, which have been routinely sued or, you know, evidence has come to light that they are committing unfair deceptive trade practices against consumers.

Ms. PRESSLEY. Well, it's even more appalling when you consider that Secretary DeVos, a person Forbes referred to as a, quote/unquote, "the Queen of debt"—what an awful moniker—has been slow or unwilling to provide debt relief to those who took out these loans, based on deceptive marketing.

Mr. Halperin, what immediate steps can the Department of Education take to prevent for-profit schools from preying upon our most vulnerable Americans?

Mr. HALPERIN. They can stop the two rulemakings that I went to a meeting about yesterday, pleading with the White House, and the Office of Management and Budget and the Department of Education, don't get rid of this gainful employment rule that says if you leave students year after year in overwhelming debt, you have to get out of the Title IV program. They can stop canceling the borrower defense which gives students relief and start granting the relief to which students are entitled. They can turn their enforcement unit back on again that was created to crack down on fraud that they shut down. And they shut down cooperation between the Department and all the other agencies that were concerned with these issues. They can say to the accreditors, like ACICS, we're not going to approve you if you approve fraudulent schools. They can reject these bogus conversions to nonprofit status.

And the Secretary should stop saying that the Obama rules mean that all students need to do is raise their hands under the Obama rules to get free money.

Ms. PRESSLEY. Reclaiming my time.

Mr. HALPERIN. Stop looking to students as crooks.

Ms. PRESSLEY. Thank you for your passion and for being so prescriptive. I'm grateful. Unfortunately, the Department of Education has sided with corporate interests and schemes that have led to the suffering of veterans, single mothers, and others, that simply seek to improve their life's prospects. It is unconscionable that we have been delayed in processing over 158,000 borrower defense claims of defrauded and deceived students.

And I yield.

Mr. KRISHNAMOORTHY. Thank you, Congresswoman Pressley.

I want to recognize Congressman Roy for one minute, and then we'll conclude.

Mr. ROY. Mr. Chairman, I appreciate that. Thanks for that little extra minute, because I just wanted to give Ms. Burke one chance to kind of respond. There were a couple issues there that caught my eye—or my ear, I should say.

No. 1, I assume, Ms. Burke, you agree that we should tamp out fraud wherever it exists, right?

Ms. BURKE. Absolutely.

Mr. ROY. Regardless where it's happening, and particularly, where it's happening the most, okay, agreed?

Ms. BURKE. Absolutely.

Mr. ROY. No. 2, with respect to the GI bill. Is it not a false equivalency to compare the GI bill to overall Federal loans, because you are talking about 1 percent of the population for a population that volunteered to put their lives on the line for the country, and it's a part of the package to recruit them to do that for the country?

Ms. BURKE. Yes.

Mr. ROY. And that is a very different magnitude than the billions we're talking about, trillions for all of the people in loans generally?

Ms. BURKE. That is correct.

Mr. ROY. And then, No. 3 and finally, isn't it your point that with respect to the larger issue of large institutions, including my alma maters, Virginia and Texas, the sort of silent killer of this enormous expense wrapped into these big institutions and what that means to get to \$1.5 trillion and that we need to oversee that, is that not what you're getting at? Then I'm finished.

Thank you, Mr. Chairman.

Ms. BURKE. Yes, it is. And the stigma that that is the only pathway to upward mobility is to go through traditional four-year brick-and-mortar.

Mr. KRISHNAMOORTHY. Well, with that, I'd like to thank our witnesses. And I agree—we can close on one sentiment of agreement, which is that we all agree that we should have quality postsecondary education.

Well, we're going to allow for one last questioner here, Mr. Grothman, for five minutes.

Mr. GROTHMAN. Yes. What we're talking about, people winding up worse after college. First of all, I'd like to ask Mr. Infusino a question. How big is your college debt right now?

Mr. INFUSINO. Come again?

Mr. GROTHMAN. Pardon?

Mr. INFUSINO. Come again? I did not hear you.

Mr. GROTHMAN. How big is your student debt right now?

Mr. INFUSINO. I don't have an exact number.

Mr. GROTHMAN. About. Like is it \$5,000, \$2,000?

Mr. HALPERIN. Are you referring to my student loans?

Mr. GROTHMAN. Correct.

Mr. INFUSINO. Close to \$30,000.

Mr. GROTHMAN. Okay. One of the things I think they ought to do, and I am going to ask both Mr. Halperin and Ms. Burke whether she feels we should do something like that, because actually it was suggested by one of my local for-profit colleges is, do you feel it would be appropriate to have colleges sign off before people do take out student loans, so somebody can see whether the amount of loan being taken out is, say, unnecessarily large? Do you think that's a good thing to have done?

Ms. BURKE. Yes. As I mentioned earlier, I do think that there is merit in ideas like having skin in the game for universities to think about whether or not down the road, they are on the hook for some proportion of defaults.

Mr. GROTHMAN. I'm not just saying skin in the game. That they would sit down with the student, say, you know, not only how much is the tuition, how much are the books, how much should you be working outside of class?

Ms. BURKE. Well, and I would even go a step further and say it would be nice for the Federal Government to actually clarify some of those metrics as well, that if you are attending an online university, for example, that something like Federal data should not assume that you have cost of living expenses on campus and inflate the cost. So there are things both at the institution level, and at the Federal level that could help with some of those issues.

Mr. GROTHMAN. Mr. Halperin, I'll ask you again. Do you feel that is a good thing?

Mr. HALPERIN. Mr. Grothman, I do think schools should be counseling students not to over-borrow. I've heard a lot of the schools that are not such good schools complain that the students over-borrow, but the truth is a lot of schools say to students, if you come here, you'll have more money to borrow, and you can get a TV. They use the over-borrowing as a recruiting tool, and that is a fact, and that's been documented.

Ms. BURKE. And that's an issue across the board.

Mr. GROTHMAN. The question I have, though, then, is should we require universities to sign off on the amount of student loans that people are taking out?

Mr. HALPERIN. I think that is probably a good idea. I would have to look into all the details of it, but in general, I think it's a good idea when schools have good intentions that they are guardians for students and look out for things like that.

Mr. GROTHMAN. Okay. And do you feel that way as well?

Ms. BURKE. So we have continued over the years to layer more and more regulations onto universities. I'm not confident that yet another regulation is the way to drive down college costs. I would argue that instead, we need to think about those structural systematic issues, like limiting the amount of Federal student aid that flows into the system. That's a better long-term solution.

Mr. GROTHMAN. Well, that would be a better way to do it, wouldn't it? If we had counselors saying, you don't need \$15,000 this year, you only need \$7,000, wouldn't that kind of be a way to do it?

Ms. BURKE. Potentially. I'm just not sure at the Federal level that we could figure out the perfect way to get there.

Mr. GROTHMAN. Okay. I'll yield the remainder of my time.

Mr. KRISHNAMOORTHY. Thank you, Mr. Grothman.

Okay. Well, first of all, thank you to all the witnesses for your very helpful testimony today. Without objection, all members will have five legislative days within which to submit additional written questions for the witnesses to the chair, which will be forwarded to the witnesses for their responses. I ask our witnesses to please respond as promptly as you are able.

This panel is now adjourned for a two-minute recess before our next panel begins. Thank you so much.

Ms. BURKE. Thank you, Mr. Chairman.

[Recess.]

Mr. KRISHNAMOORTHY. Good afternoon. In the words of my baseball hero, Ernie Banks, let's play, too. I'd like to thank the first panel for their testimony and for contributing your thoughts to the vital issues we're discussing today.

Now we welcome our final witness, and we thank her for her patience. That's Principal Deputy Under Secretary of the Department of Education, Diane Auer Jones.

If the witness would please rise, I will begin by swearing you in.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Let the record show that the witness answered in the affirmative.

Thank you, and please be seated. The microphones are sensitive, so please speak directly into them. As I mentioned earlier, with our timing system, green means go; yellow means not slow down but speed up; and then red means stop. Without objection, your written statements will be made part of the record.

With that, Secretary Jones, you are now recognized to give an oral presentation of your testimony for five minutes.

STATEMENT OF DIANE AUER JONES, ACTING UNDER SECRETARY OF EDUCATION

Ms. JONES. Thank you very much. Good afternoon, Chairman Krishnamoorthi, Ranking Member Cloud, and members of the committee. Thank you for the opportunity to appear before you today to discuss our goals to strengthen postsecondary education, including improving accreditation and working to address the problems that arise when schools close.

My work at the Department calls upon all of my experiences in higher education, starting with my personal experience as a first-generation college student. It also includes my work as an instructor and an administrator at public, private, as well as proprietary institutions, and it includes the years I spent in Federal Government working on science and education policy.

In my case, I worked as a nursing assistant and a waitress, and took student loans in order to pay my way through college. I know the challenges that nontraditional students face, not because I've read about them, but because I've experienced them. I've lived them. And I spent almost a decade teaching, supporting students, and advising other first-generation college students at the Community College of Baltimore County.

The Department is working hard to develop policies and procedures, in partnership with accreditors and state authorizing agencies, to guide institutions and students through orderly teach-outs, and to provide sufficient oversight to ensure that students get what they were promised. Sadly, we learn something new from each situation, but the experiences students tell us about allow us to do better the next time.

Mr. Infusino's testimony points out the complexity of closed school situations, and I agree that it can be very difficult for a student to decide what pathway will best serve his or her needs. So, in that vein, I want to use the rest of my five minutes to respond

to his concerns and provide information that may be helpful to him and to all students who go through a school closure.

While it is true that the current regulations provide closed school loan discharges for students who were enrolled at the time of closure, or who left the school less than 120 days prior to the campus closure, what we call the lookback period, there are special circumstances under which it can be extended.

We agree that no student should be required to continue attending a school if they do not wish to participate in the teach-out just so that they can hit the 120-day mark. For students who selected to participate in a teach-out plan offered by their closing institution, it is important to know that if the institution did not meet the terms of the plan the student is still eligible for a closed school loan discharge. The scholarship would be considered an important part of the plan, and part of the institution's promise. The point of a teach-out is to expand a student's options and opportunities, not limit them. And we will hold schools accountable for meeting the terms of all teach-out plans and agreements.

The Department is reviewing all of the circumstances of the recent closures, and in particular, the circumstances surrounding the Art Institute of Chicago and the Illinois Institute of Art. Let me be clear that it is the Department's position that those schools were accredited throughout the period between the change of control in January, and the closure in December 2018. Otherwise, the schools could not have participated in Title IV programs.

We will continue to work with students who were part of the school closures, and if those students have questions, they should contact Federal student aid. We never want a student to feel like they are out there on their own navigating these difficult and challenging situations. And I might add, many students call me personally and send me personal emails, and I respond or return the calls to each.

We are proud of the negotiated rulemaking effort that resulted in consensus and that addressed a number of the challenges that were revealed during the recent school closures. The consensus position will go through a public comment period, and based on the results of those comments will be published as a final rule. I cannot predict what will be in the final rule, but in response to your questions today, I can share what was in the consensus document.

We clearly have more work to do, but we recognize the problems and are seeking solutions. As we learned through our successful rulemaking effort, in spite of sometimes significant differences of opinion, when we put the needs of students first, we can find points of agreement and serve their best interests.

I look forward to discussing the Department's work with you, and responding to your questions. Thank you.

Mr. KRISHNAMOORTHY. Thank you, Ms. Jones. We're going to go slightly out of order here. I want to recognize Ms. Bonamici, Congresswoman Bonamici, who is waiving onto our committee for questions, to begin the question line. Congresswoman Bonamici, you have five minutes.

Ms. BONAMICI. Thank you very much, Chair Krishnamoorthi and Ranking Member Cloud, and thank you, Ms. Jones. Thank you for allowing me to be with you today.

When Secretary DeVos appeared before the Education and Labor Committee last month, I asked her about the Department's misguided decision to reinstate ACICS, an accreditor that has overseen some of the largest collapses of institutions of higher education in American history. This decision directly led to student harm and those students, along with taxpayers, deserve answers. The Department of Education's decision allowed at least 85 predatory schools to take advantage of more than 110,000 students.

So let's look at one ACICS-accredited school in particular, the Education Corporation of America, or ECA. In April 2018, Secretary DeVos temporarily reinstated ACICS, and then ACICS provided accreditation for ECA campuses, which kept the school operating. And at the time, the ECA campuses had not obtained accreditation from a new agency.

Then in December 2018, two weeks after the Department recommended to fully restore ACICS, ECA, which was the largest college chain accredited by ACICS, collapsed. Without accreditation, ECA could have had a planned shutdown. Thousands of students would not have been lured to attend a financially troubled school, those enrolled would have saved the time and money they wasted, and the Federal Government would have saved money on loan discharges.

In December, a few weeks after ECA collapsed, Senator Warren, Chairman Cummings, and I sent letters to ACICS and to ECA. The findings of our document request were extremely disappointing, and revealed the industry's lack of use of teach-out agreements.

And I notice, Ms. Jones, you were talking about teach-outs. Can you explain the difference, both in the requirements of a school that is closing, and in the way a student is affected in a teach-out agreement versus a teach-out plan?

Ms. JONES. Absolutely, Congresswoman. First, I'd like to begin by saying that the Department reviewed the ACICS situation because the courts remanded the decision back to the Department. So it was not the administration that decided to change the decision of the prior administration, but, in fact, it was the courts that determined that the prior administration failed to review 36,000 pages of evidence.

And so it was remanded back to the Secretary. And you are correct that I read the 36,000 pages, plus tens of thousands of more pages in a 2018 supplement, and, yes, made a recommendation based on the evidence in those documents. So that is why ACICS was reinstated. The courts made that decision and remanded the decision back to us.

In terms of teach-out agreements versus teach-out plans, there is a significant difference. So a teach-out plan is when an institution is planning to close, or if an institution is in a fragile situation or showing signs of financial instability, the accreditor will require a teach-out plan, and that includes things like—

Ms. BONAMICI. I don't want to interrupt you, but I need to reclaim my time because I need to get another question in.

In general, we have heard of too many cases where the teach-out plan was a link to a website or some other predatory school that may themselves shut down. So would you agree—and I know you know the difference. Would you agree that a teach-out agreement

better serves the interests of students than a teach-out plan? And that's a yes-or-no question.

Ms. JONES. Well, ma'am, a teach-out agreement is a contract between two institutions. The Department can't force a teach-out agreement. I would agree with you that our teach-out plans need to be more robust. Unfortunately, the consensus decision of the negotiated rulemaking panel did just that.

Ms. BONAMICI. But would you agree that a teach-out agreement better serves students than a teach-out plan? I'm not asking you whether the Department can be part of it. I'm asking you is a teach-out agreement better for students than a teach-out plan?

Mr. INFUSINO. When it is possible to get a teach-out agreement, we always hope that they come through. We always hope that a school can find a teach-out—

Ms. BONAMICI. Thank you. So let me ask you this: The Department has outlined forthcoming regulations that you stated will include, quote, "financial triggers," close quote, that will require colleges to file a teach-out plan with an accreditor. So teach-out agreements provide a stronger safety net. So shouldn't your forthcoming regulations require teach-out agreements, not simply teach-out plans?

Ms. JONES. Well, ma'am, the regulations that you speak of are still—we have to go through a public comment period. So they're not final. So I can't comment on what will be in the final regulations. But the consensus agreement was that accreditors could and should require teach-out plans earlier. The other thing we did is—

Ms. BONAMICI. My question isn't about teach-out plans. It's saying, shouldn't the regulations require teach-out agreements, not just a teach-out plan that could be a link to a website?

Ms. JONES. So the consensus language does call for accreditors to try to get teach-out agreements and to encourage institutions to enter into them. We cannot force teach-out agreements. These are contracts between two institutions, oftentimes involving financial arrangements that cannot be forced by us or an accreditor.

So absolutely, we want schools to seek them sooner, but we can't force them. We can't require them.

Ms. BONAMICI. And I see my time is expired. I just want to say I hope that you and the Department will do more to protect the students and the taxpayers.

And I yield back.

Mr. KRISHNAMOORTHY. Thank you, Congresswoman. I know that votes have been called. We're going to try to get a little bit more questioning in here before we go to votes, adjourn, and then come back.

So, Congressman Grothman, you have five minutes.

Mr. GROTHMAN. Would you mind if I yield my time to Congresswoman Foxx?

Mr. KRISHNAMOORTHY. Okay, sure. Dr. Foxx, you have five minutes.

Ms. FOXX. Thank you, Mr. Chairman, and thank you, Mr. Grothman.

Thank you for clarifying the fact that it was not the Department itself that decided to reopen the ACICS case. It needs to be stated

over and over and over again that the court ordered the Department to do that. You have been painted as somebody who had a nefarious reason for opening up this plan, and I think it's a very unfair portraiture of you, and so I am glad that question was asked and has been clarified.

You also have been portrayed as somebody who cares nothing at all for students, but only about making money. But I know that you have an accomplished history in postsecondary education, including not only for-profit schools, but a public community college.

Please tell us about your experience at a public community college and your responsibilities there and why you came to work at the Department of Education, and maybe what is it that gets you out of bed every day, given the vilification that is made of you and the Secretary?

Ms. JONES. Thank you, Congresswoman, for that question. You know, Dr. Foxx, what gets me out of bed every morning is that I had an opportunity to change my life by going to college, and I want every student to have the opportunity to change their life by going to college, by doing an apprenticeship, by finding whatever it is that helps them move forward.

And so, I come to work every day because there are students who, like me, have an opportunity to move forward if there's somebody to help them find the way. And, in fact, that's why I taught at a community college for 10 years.

I'm a molecular biologist by training. I was running a lab, and I was asked to teach an evening microbiology class as an adjunct faculty. I found my passion. My evening students were nontraditional students. I loved working with them. And then eventually I joined the full-time faculty and, in fact, was able to get National Science Foundation grants. I ran STEM camps for middle school kids. I ran STEM programs for teachers. I ran all kinds of extra programs. The students were amazing, and they just needed somebody who cared.

Ms. FOXX. You were not allowed to completely answer your question about teach-out plan and teach-out agreement. I'd like to make a comment as an educator. I don't call myself a former educator, because I think everybody around here will tell you I still act like one and I'm proud of that. And by the way, that's why I do what I do every day is for the same reason that you do it.

But I would assume that a teach-out plan by the schools where the students are enrolled that help them get to certain places would be better than a teach-out agreement where another institution picks up the students and helps them. But it appears to me that if you can have both of those things, that would be the ideal situation.

But tell me if I'm right in my perception of that, and how can this committee understand better the approaches that you are taking in teach-out plan and teach-out agreements? And I understand you have no control over those.

Ms. JONES. Well, Dr. Foxx, I think of myself as an educator, too, and I will until the day I die. And I can't wait to have the time in my life where I can teach as an adjunct faculty member again.

Teach-out plans and teach-out agreements, absolutely, we would love to see situations where both are available. For some students,

it's better for them to go to another institution and complete. For other students, if they're close to graduating it might be better to complete at the institution where they're enrolled. And in other instances, students find their way forward through a transfer agreement. There are differences between plans and agreements. We support both and we hope both are in existence. No student is required to take the options that are available to them through a teach-out agreement. So I agree with you, we need both.

The problem is we can't force a teach-out agreement, because it is a contract between two institutions. We can encourage, and I can assure you that as Argosy was closing, I spent many evenings and weekends on phones with presidents of other institutions asking them if they would be willing to serve as a teach-out partner and enter into a teach-out agreement. And their accreditors reviewed those plans, but we cannot force them.

Ms. FOXX. Well, I thank you very much. And I will tell you, you know, I invest a lot of time in these hearings, and I'm on two committees. And honestly, on this subject we have the most experts in the Congress of any subject that I am aware of, bar none. And they have no experience whatsoever.

Thank you very much. I yield back my time.

Mr. KRISHNAMOORTHY. Thank you, Dr. Foxx.

I'm going to recognize myself for five minutes of questions.

Secretary Jones, the three largest college collapses in American higher education were ITT Tech, Corinthian Colleges, and Education Corporation of America, also known as ECA. ACICS accredited ITT Tech before its collapse, correct?

Ms. JONES. I believe ITT Tech was accredited by ACICS, yes.

Mr. KRISHNAMOORTHY. And ACICS accredited Corinthian Colleges before its collapse as well, correct?

Ms. JONES. No, sir. ACICS accredited some of the Corinthian College campuses. There were several Corinthian college campuses accredited by another accreditor. And all of the Heald Colleges were accredited by WASC, the Western accreditor, which is a regional accreditor in California.

Mr. KRISHNAMOORTHY. But the ones that—among the ones that collapsed in the Corinthian Colleges chain were ACICS-accredited ones, right?

Ms. JONES. No, Congressman, that is not correct. In fact, it was Heald College that was the only college that admitted to falsifying data, that admitted to misrepresentation, and that was the regionally accredited campus. So that is the only group of campuses for which the Department has evidence and an admission of misrepresentation.

Mr. KRISHNAMOORTHY. So you're saying Corinthian Colleges is up and running today?

Ms. JONES. No, sir, I am not.

Mr. KRISHNAMOORTHY. So was Corinthian Colleges accredited by ACICS or not?

Ms. JONES. Some of the campuses.

Mr. KRISHNAMOORTHY. So yes. So some of the Corinthian College campuses were accredited, and those are no longer in operation, correct?

Ms. JONES. And neither is the regionally accredited campus of Corinthian, correct.

Mr. KRISHNAMOORTHY. And last December before ECA collapsed and left 20,000 students and their families without an educational home, ACICS had accredited ECA, correct?

Ms. JONES. They had accredited ECA, but ECA was—

Mr. KRISHNAMOORTHY. Thank you. According to the National Center for Education Statistics, the average graduation rate for four-year colleges is 60 percent. According to a letter from 13 state attorneys general in April 2016, only 35 percent of students enrolled at ACICS-accredited schools graduate from their programs, the lowest rate from any accreditor. It should come as no surprise that the Department of Education revoked ACICS' recognition as an accreditor on December 12th, 2016.

Ms. Jones, at 35 percent, ACICS-accredited schools had a graduation rate that was much lower than the national average. Is that worth celebrating, in your opinion?

Ms. JONES. Well, Congressman, I need to make the point that when you look at the 60 percent, you're looking at schools of all selectivity levels. Frankly, and I love community colleges, but most would die to have a 33 or a 35 percent completion rate.

Mr. KRISHNAMOORTHY. Okay, let's talk apples to apples. Four-year colleges. We're only talking about four-year colleges with a four-year graduation rate. The national average is 60 percent. For ACICS-accredited four-year colleges, their six-year graduation rate is 35 percent. Is that worth celebrating or not?

Ms. JONES. Well, sir, I don't think it's worth celebrating, but that actually is a fairly strong performance for an open enrollment institution.

Mr. KRISHNAMOORTHY. Well, let me just tell you what you said two years ago. You were very clear. As a for-profit college lobbyist, in rebuttal expert disclosure testimony in Colorado versus Center for Excellence and Higher Education, you said, quote/unquote: "We would have been popping champagne corks if we had 30, 32, 44 percent graduation rates."

In reinstating recognition of ACICS in November 2018, the Department stated that ACICS met 19 out of 21 Federal criteria, including that ACICS is, quote/unquote, "widely accepted by the national higher education community." Wide acceptance, that's a term of art, is a legally established, quote/unquote, basic "eligibility requirement," meaning if ACICS does not meet this criteria, it is ineligible to receive Federal recognition.

Let me walk you through what the five accreditors you recently cited in October said—and, actually, you repeated this in your March response to our correspondence—said when asked by Congress about their support for ACICS. One, ACTE said that it is, quote, "not in the position to judge if another accreditation agency is, quote, 'widely accepted.'" Another, AART, said it does not, quote, "make statements regarding how widely accepted a particular accreditor is."

Now, these are not national accreditors. They are small programmatic accreditors and they are not ACICS' peer. Now, would you recognize the Accrediting Bureau of Health Education Schools, a national accreditor, as ACICS' peer?

Ms. JONES. Yes, I would recognize them as a peer.

Mr. KRISHNAMOORTHY. Well, they didn't endorse ACICS either. And that was one of the letters you put forth in support of the proposition that ACICS is a widely accepted accrediting organization. They explicitly stated in their letter that it is not, quote, "their practice to endorse other organizations."

At least three out of the five letters that you submitted in support of wide acceptance eligibility for ACICS do not state what you purport that they state, that ACICS is a widely accepted accrediting organization. In light of this information, which we received in correspondence from those accrediting agencies, would you be willing to reconsider your recognition of ACICS as an accreditor, federally recognized accreditor?

Ms. JONES. Well, Congressman, the decision is not mine to make. I made a recommendation, but I am not the decider. But I do want to point out that the criteria is not for an endorsement.

And so when you evaluate an accreditor to determine whether it's widely accepted, the question you are asking is, are there other accreditors that will accept an ACICS-accredited institution to either be a programmatically accredited institution? Will a licensing body give licensure to students who graduate from an ACICS accredited institution?

And, sir, I have those exhibits with me if you'd like to see them. The letters came from those organizations and, indeed, affirmed that accreditation, or when a student completes an ACICS accredited—when a student completes their degree at an ACICS-accredited institution, yes, that accreditation is accepted by those other organizations.

Mr. KRISHNAMOORTHY. I'm sorry, that's just flat-out wrong, according to the Federal regulations. I thought you would answer that way. 34 CFR 602.13 clearly states what wide acceptance by other agencies means. It says: The agency—that is in this case ACICS—must demonstrate that its standards, policies, procedures, and decisions to grant or deny accreditations are widely accepted in the United States by, and it says (a), educators and educational institutions; and (b), licensing bodies, practitioners, and employers in the professional or vocational fields for which the educational institutions or programs are within the agency's jurisdiction.

None of these agencies that sent those supporting letters have stated that they accept the policies, standards, procedures and decisions. It's not about whether they would take students who are transferring over; it's whether these particular regulations have been satisfied.

So would you reconsider the decision to reinstate that recognition, in light of this new information that we've received in correspondence from those five institutions?

Mr. INFUSINO. Well, Congressman, I appreciate that you read the regulation, and I didn't hear the word "endorsed" anywhere in what you read. Widely accepted means that licensing bodies and other accreditors will accept as a measure of quality the accreditation of ACICS, either because that's the institutional accreditor and the programmatic accreditor is willing to provide programmatic accreditation at the institution; or, in the case of a licensing body, because when a student graduates from an accredited institution,

they can sit for a licensure exam. And so, sir, they did, indeed, meet the criteria in the regulations, and there is no word “endorsement” anywhere in those regulations.

Mr. KRISHNAMOORTHY. And nobody said that they had to endorse. What they did have to say is that they met the standards set forth in the regulation, which they did not.

Ms. JONES. And I have the documents here that were provided from those accreditors, and I’m happy to share them with you.

Mr. KRISHNAMOORTHY. And we’re happy to share the correspondence so you can reexamine this new information that has come forth from the accreditation agencies, which purport to be opposite of what has been stated as their support for Federal recognition of ACICS.

We’d better take a pause right now for votes. We will be back at 5 o’clock. Thank you so much.

[Recess.]

Mr. KRISHNAMOORTHY. Thank you and sorry for the recess and thank you again, Secretary Jones, for bearing with us.

I’d like to recognize Dr. Foxx for her questioning for five minutes.

Thank you, Dr. Foxx.

Ms. FOXX. Thank you, Mr. Chairman.

Ms. Jones, I want to go back to clarify the scope of the Education Department’s responsibility again as it related to ACICS.

Do you have the—did you have the ability to unilaterally open up the ACICS decision?

Ms. JONES. I did not have the ability. The Department had already rendered a decision. It was the Court that remanded the decision back to the Secretary, and I simply made a recommendation to her as to my review.

Ms. FOXX. Okay. All right.

So, I’d like to revisit the conversation on the closure of Corinthian campuses. There was ACICS and a regional accreditor who accredited Corinthian Campus. Is that correct?

Ms. JONES. That is correct, Dr. Foxx.

Ms. FOXX. Okay. The fact that both a regional and a national accreditor were caught up in this tells me we can’t single out any one accreditor, that all accreditors need to improve their analysis of quality assurance and continuous improvement. In PROSPER, which we passed in the committee last year, we talked about the need for total reform and the focus on outcomes for students. We believe that’s where the accreditor should be. It’s very disappointing to me to hear that the fraud went on under an institution that was accredited by a regional accreditor, and I don’t think we can say that often enough.

I also want to say right here that I don’t want any bad actors out there. I don’t care who they are, whether they’re for-profits, nonprofits, publics. We don’t need any of those, and I just want to reiterate that. Every Republican feels that way. We’re not here to defend any one segment of the education institutions. We want all students have the best possible of experience.

Now I want to ask you, Did the closure of Corinthian and ITT campuses happen when President Trump, Secretary DeVos, and you were in office at the Department of Education?

Ms. JONES. No, Dr. Foxx, that happened prior to our administration.

Ms. FOXX. Right. It's my understanding that Corinthian closed in 2015 and ITT closed in 2016.

Ms. JONES. I believe those are the correct years.

Ms. FOXX. So, President Obama had been in office for seven years when Corinthian closed and eight years when ITT closed. So can you tell me why President Obama and the other Secretaries of Education in his administration continued to let these horrible, greedy schools exist during his entire administration? Why is this suddenly only a problem now?

You don't need to answer that.

Ms. JONES. Oh, thank you.

Ms. FOXX. Never mind.

That is just something I have considered for a long time, knowing myself when these institutions shut down.

And by the way, they did nothing, absolutely nothing to help those students. They didn't do teach-outs. They didn't do agreements between institutions. And I said at the time that the people who were being hurt were the students because the Obama Administration could have had an orderly shutdown of those institutions, and it did not. They didn't care about those students. They just shut them down arbitrarily and didn't give them a chance to help those students get their transcripts, teach them out, or anything. That's wrong.

The truth is that Congress has failed in its obligation to produce laws and statutes that serve in the interest of students. That's what we should be about, not caring what kind of institution it is, but we have to reform the HEA and the whole system.

So, can you—what are some examples of how you and career staff at FSA and OGC tried to help students when Argosy closed?

Ms. JONES. Well, thank you for that question.

I have to say that the professional staff at FSA have been amazing, and it's just unbelievable the amount of work they've done, and I might add, including a number of them that spent at least five hours a day working between Christmas and New Year's, although they were officially on leave. We were on calls at least five hours a day. So I want to give a shout-out to the professional staff at FSA because they've been amazing.

So there are a number of things that we've done. I personally got involved. Students who called, parents who called or emailed, I responded to those calls or emails. I worked with the state and others at FSA worked with the state-authorizing agencies to identify other schools that might be able to accept those students. There was information provided on the FSA website. FSA went to teach-out fairs, and then I personally spent a long time with institutions and accreditors. There was one accreditor, the American Psychological Association—it's very difficult to have a programmatically accredited program enter into an agreement, and I spent a lot of time with the APA, again, working with them to help facilitate teach-out agreements.

Ms. FOXX. Thank you.

One more quick question, Mr. Chairman, which I hope will help us as we develop legislation. Seriously, this is going to that issue.

So it's a tricky situation at Education Corporation of America. What happens when ownership of a school—and what happens when ownership of a school happens in receivership? To the best of my knowledge, the topic of receivership is not mentioned at all in the statutes or regulation. Is that correct?

Ms. JONES. That is correct.

Ms. FOXX. How can Congress help the Department in this regard? Because I think the situation with ECA could have been better had we had some rule on this issue.

Ms. JONES. Thank you very much for recognizing that.

Both with ECA and with Argosy, we had the additional complication of those schools went into Federal receivership. To my knowledge, these were the first two schools that ever went into Federal receivership. And while statute is very clear about what we're supposed to do in the case of bankruptcy, there's no mention of receivership, and, frankly, not only did we lose certain authorities but the accreditors lost certain authorities and the school was no longer being run by qualified people. It was being run by a receiver. So it's a very tricky situation, and it would be great to have some help.

Ms. FOXX. Mr. Chairman, thank you for that indulgence because I did really want to us get some idea of how we could make the legislation better. Thank you.

Mr. KRISHNAMOORTHY. Sure. Thank you, Dr. Foxx. And thank you for your commitment to higher education. We worked very hard on getting some legislation signed into law last term on strengthening career and technical education.

I just want to point out one thing, which the gentlewoman from North Carolina already knows, but, of course, the Obama Administration crafted and implemented the gainful employment rules to weed out the worst actors. Unfortunately, this administration has not implemented those particular rules, even though the first gainful employment data set found 800 programs had failed the standard and another 1,200 were put on probation.

So, with that, I will now recognize Congresswoman Donna Shalala for five minutes.

Ms. SHALALA. Thank you very much.

What was your recommendation to the Secretary on the ACICS that it be reinstated?

Ms. JONES. Ma'am, there were 21 different criteria that I had to evaluate. And I provided a recommendation. In some cases, I found them in compliance. In other cases, I found them not in compliance. And in some other cases, I found them in compliance and recommended that the Secretary request a monitoring report. So each one of the criteria were evaluated.

Ms. SHALALA. So did you recommend to her that we—that you reinstate AC—the accreditation agency?

Ms. JONES. My recommendations were on my findings of each criteria. It was up for the Secretary to decide how she would use that information.

Ms. SHALALA. So you told her on the one hand/on the other hand, basically?

Ms. JONES. Yes, Congresswoman. I mean, it's an 83-page document. And I'd be happy to share it with you, but yes.

Ms. SHALALA. Yes, if you could.

Ms. JONES. Yes.

Ms. SHALALA. During the controversy between the accreditor Higher Learning Commission and the Dream Center schools, you issued a guidance document that rescinded an earlier policy. This guidance document allowed for accrediting agencies to retroactively accredit schools. In other words, unaccredited schools could pretend that they had been accredited when they were, in fact, not. This would have undoubtedly benefited the Dream Center which lost its accreditation in January—on January 20, 2018, and did not disclose that to their students until June 20, 2018.

Your guidance is dated just after that, July 25, 2018. Was this guidance designed specifically to assist the Dream Center?

Ms. JONES. No, Congresswoman. There had been a decision made based on one of the nursing programmatic accreditors with regard to the issue of retroactivity. That decision was then appealed, and so it was my job to review that appeal and issue guidance based on the Department's regulations regarding retroactive accreditation. The Department had always allowed it in the past, but I just want to make sure that I'm clear. It does not allow a nonaccredited institution to be retroactively accredited. The retroactive accreditation can only go back to the time of a positive decision by the decision-making body, meaning pre-accreditation.

So it cannot retroactively apply to a nonaccredited institution. And the reason that we need to do this is, if you cannot retroactively accredit an accredited program, you essentially set students up so that you have to graduate, in many cases, one entire class of graduates who could then never be accredited and practice in their field. So there's no way we can give title 4 funds to students and tell them: But no matter what happens, even if the program gets accredited or the institution gets accredited, you will never have a degree from an accredited institution.

That would disallow any new programs that lead to licensure and certification.

So that is the reason for retroactive accreditation. I believe HLC's policies even prior to our guidance was a 30-day retroactive accreditation policy.

Ms. SHALALA. Did you ever communicate with higher learning—the Higher Learning Commission or the Dream Center officials about this guidance before issuing it?

Ms. JONES. I do believe that somebody from HLC called me to ask me about retroactive accreditation, and I did let them know that we were revising our guidance. This was something that many accreditors were following and waiting for because of the appeal. So we had to come to the end of an appeal for the appeal that the nursing programmatic accreditor had submitted.

Ms. SHALALA. So did you base the rescission of this policy in any way on the accreditation dispute between the Higher Learning Commission and the Dream Center?

Ms. JONES. Absolutely not. It had nothing to do with the Dream Center. It was completely based on the appeal by the nursing programmatic accreditor.

Ms. SHALALA. In the last six months, there have been three major for-profit chain closures. These closures took students by surprise. How does the Department track colleges at risk of closure?

Ms. JONES. So the Department has requirements in our regulations for the Department to accept audited financial statements every year. The Department then evaluates those audited financial statements to come up with a composite score. And based on what the institution's composite score is, the Department either says it's a financially stable institution or it's in the zone or it's not a financially stable institution. And then we have different levels of action we can take including Heightened Cash Monitoring, letters of credit, et cetera. So we use the audited financial statements primarily to monitor financial risk.

Ms. SHALALA. Those schools were all on the Heightened Cash Monitoring. There are another 650 schools on the Heightened Cash Monitoring which are at risk of closing. So what are you going—how are you going to prioritize the monitoring for those schools?

Ms. JONES. Well, Congresswoman, not every school that's on Heightened Cash Monitoring is at risk for closure. There are a number of reasons that would bring a school into a Heightened Cash Monitoring situation. The Federal Student Aid professional staff in many instances require that the institution provide monthly updates of enrollment or of financial information. We have staff that monitor enrollments of a number of colleges, but the truth of the matter is our evaluation of institutions is based on audited financials, and they are always at least six months old when we get them. It is dated information, and we don't have the opportunity to do day-to-day or month-to-month. So we are always going to struggle with the fact that, by the time we get an audited financial statement, things could have changed at the institution.

And what Heightened Cash Monitoring does is it disallows institutions to pull money down from our system without either prepaying the students or prepaying the students and getting additional permission from us to draw down funds.

Ms. SHALALA. That's a lot of schools.

I yield back.

Mr. KRISHNAMOORTHY. Thank you very much, Congresswoman Shalala.

I believe our distinguished ranking member, Mr. Cloud, is up. And you have five minutes.

Mr. CLOUD. Thank you.

I will yield to the gentlelady from North Carolina, Dr. Foxx.

Ms. FOXX. You get to answer my questions again.

Thank you for that explanation.

So let me reiterate again: The retroactive accreditation was done for the students so that the time they were in school, the money they invested was not wasted.

What you did was to help the students.

Ms. JONES. That is correct.

Ms. FOXX. Thank you.

Ms. Jones, it seems to me that the Democrat Party is obsessed with so-called facts about for-profit schools. So let's take a closer look at the data. According to the College Board, tuition and fees over the last two years have increased 5.4 percent at public com-

munity colleges, 5.8 percent at public baccalaureate degree-granting institutions, and by 6.9 percent at private, what are called four-year—and they're not four-year—profit colleges. For-profit schools, their tuition and fees have gone down 12.5 percent over the same time period.

An AEI-Third Way report by Harvard Professor Bridget Terry Long tallied—Bridget Terry Long—excuse me—tallied completion rates of students across all post-secondary education sectors and disaggregated by racial characteristics. The category of school with the highest completion rates? For-profit, two-year institutions.

Mr. Chairman, I have a chart to submit for the record to show—prove what I am saying.

Ms. FOXX. What is notable is that the report also found White, Black, Hispanic, Asian, and Native American students attending four-year for-profit schools all completed at a better rate than their respective public four-year nongraduate degree college student counterparts. It's apples and apples, and that's what we should be comparing.

So far, I've provided data showing proprietary institutions, unlike the other sectors of postsecondary education, are responding to consumer demand for cheap—less expensive education. And they're doing a better job making sure their students earn a credential. But how are students attending for-profit institutions doing with student loan repayment compared to their other peers? According to the College Board, the answer is just as good, if not a little better, than community colleges which enroll a very similar type of student. The two-year default rate at public two-year schools, 23 percent; the two-year default rate at for-profit schools, 18 percent—five points lower.

I want to mention you yourself elected to attend a proprietary institution to earn the craft—learn the craft of massage therapy. I have a granddaughter who just graduated from a for-profit institution two weeks ago who is also pursuing a future as a massage therapist.

Why did you decide to pursue this education? How has this experience informed your outlook on helping all students succeed? And will you practice your art here tonight? Never mind. No.

Ms. JONES. Yes, I practiced as a massage therapist for seven years and, in fact, opened an alternative healthcare center in Catonsville, Maryland, and ultimately employed 15 people. Massage therapy was something that I enjoyed doing. I learned a little bit about it when I was a nursing assistant. And as I progressed through my career, I mean, frankly, the only way I could be a community college professor is if I had another part-time job. And I thought, wouldn't it be great to have my part-time job be something where I can really help other people and have schedule flexibility? So I chose to get a certificate in massage therapy.

Ms. FOXX. Just for the record, my daughter loves it; did not want to leave school but is anxiously awaiting getting her license.

I'm going to conclude by quoting from the comments in discussion section of a Bookings Institution report titled "A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and the Institutions They Attended Contributed to Rising Loan Defaults."

Buried at the end of the report, Columbia University economist and former member of the Board of Governors of the Federal Reserve System Frederic Mishkin emphasized the importance of offering better information to help solve the market failure of student lending.

Mishkin suggested, quote: The idea that for-profit institutions are just bad guys who need to be taken care of is not the right way to think about solving the problem, he argued. Focusing on the market failure aspect may help bring to light the kinds of innovations that could come from for-profit institutions, particularly in the online sector. The idea of simply closing down or otherwise severely punishing for-profit institutions, he concluded, could actually be very bad public policy.

Mr. Chairman and Mr. Lead Republican, thank you very much for yielding time to me. I yield back.

Mr. KRISHNAMOORTHY. Thank you, Dr. Foxx.

Okay. I am going to ask another series of questions here.

Secretary, on January 18, 2019, Dream Center, a not-for-profit company that really seemed like a shell company used to operate a chain of for-profit schools, entered into a receivership due to potential insolvency.

A Department of Education statement said, and I quote: Significant funds were released by the Department since mid-January including after the receiver was appointed, close quote.

Ms. Jones, exactly how much Federal funding did Argosy operating under Dream Center receive during this January through February 2019 time period?

Ms. JONES. I believe the total that they received was around 13 million. The bulk of that was disbursed prior to the receivership, and there was a small bit of it that had been approved prior to the receivership and that the receiver was able to draw down after the receivership. So I believe that it was in the neighborhood of 13 million that had been released. The rest of the funds that would have been disbursed for spring semester were held in our system because they were on HCM2 once they went into receivership.

Mr. KRISHNAMOORTHY. Got it.

And HCM is Heightened Cash Monitoring.

Ms. JONES. That's correct.

Ms. FOXX. On February 22, Dream Center receiver Mark Dottore—or Dottore—publicly stated that where—I'm sorry—stated, and I quote: There were irregularities in Dream Center's Title 4 requests before the receivership began.

Secretary Jones, do you know what irregularities Mr. Dottore is referencing?

Ms. JONES. I don't know what he is referencing in particular. I haven't reviewed those records. I believe though that what he was concerned about is that the institution was on Heightened Cash Monitoring, which meant that it had to pay students' stipends first, and I believe what he was trying to determine is how many students been paid their stipend.

Mr. KRISHNAMOORTHY. Do you know if Dream Center falsified certifications to the Department to draw down students' stipend funds?

Ms. JONES. I don't know that. There is a review that's ongoing.

Mr. KRISHNAMOORTHY. So, the Department is currently conducting an investigation into this matter?

Ms. JONES. The Department is currently reviewing documents. And, yes, we will go back and look at student accounts, in particular, because we have canceled loans for all of the Argosy students or other Dream Center students who were enrolled in the spring semester. And so it will take time to go back and sort through all those records.

Mr. KRISHNAMOORTHY. Reports show anywhere from \$13 million to \$16 million meant for students' stipends were given to these financially troubled institutions and has since gone missing.

Can you explain in detail how the missing funds were used?

Ms. JONES. I cannot explain in detail. We haven't received those financials. However, what I was told is that the \$13 million did not go missing but was instead used to pay for things like rent, textbooks, continuing services for the computer systems. And so, while it is inappropriate to use those funds without first paying stipends, if what I was told is correct, it's not that it went missing. It's that it was used at a time when it should have been used for student stipends.

Mr. KRISHNAMOORTHY. Got it. So it may—now how about for Dream Center officials, the Dream Center Foundation, or other high-level employees, payments to those folks?

Ms. JONES. I have no idea. That would be part of the financial records. So, once a school closes, we are—they are required to provide us with audited financials. To my knowledge, we have not yet received those financials, but I will double-check when I get back.

Mr. KRISHNAMOORTHY. Got it.

And how about Dream Center CEO Brent Richardson? Did he receive a bonus before he stepped down?

Ms. JONES. We are told that Brent Richardson never took a penny of salary for his work with Dream Center Education Holdings. Again, we haven't received audited financials, but we were told by multiple people that he never took a dollar.

Mr. KRISHNAMOORTHY. And how about other Dream Center officials? Do you know if they received bonuses before the company's collapse?

Ms. JONES. I don't know.

Mr. KRISHNAMOORTHY. Okay. Students did not receive the stipends they expected. Do you know how many students in total did not receive their expected stipends?

Ms. JONES. I don't have an exact number for you. We can look that up.

Mr. KRISHNAMOORTHY. Yes, could you please commit to going back and answering that question, plus the previous question about whether any officials from Dream Center received any bonuses or compensation before the collapse?

I just want to say, you know, not only has these students' education been disrupted but really their quality of life has been directly harmed, and I think everyone would agree about that. Students relied on these stipends for their rent and other necessities. We are aware of at least one student, a veteran with a wife and six children, who experienced homelessness because of the diversion of his stipend.

Is the Department doing anything currently to help students in these types of circumstances?

Ms. JONES. Yes, Chairman. So we agree with you that not getting stipends is devastating to students. We spent about three weeks trying to figure out if we had the authority to make direct payments to the students of their stipend because, remember, the majority of the money was still being held in our system. We had not released it. So we spent several weeks, looking. We don't have the authority to make direct payments. So the best we could do was cancel the loans that the students took for the spring semester. So every student, although we could not help them get their stipend, we were able to cancel their loan, and for those students who through a teach-out agreement moved to another institution, they were able to apply for aid at the new institution. And because we had canceled the loan, they could then get their stipend for the semester.

Mr. KRISHNAMOORTHY. Secretary, I urge you to please get to the bottom of this matter and make it a priority because we are aware of constituents and others who are directly harmed by what happened in this particular Dream Center matter. And we owe that to these students. I have no doubt that members of this subcommittee will be in touch with additional inquiries into Department actions to find the truth with regard to this matter, and we urge you to cooperate with us in furthering the investigation.

Ms. JONES. Absolutely.

Mr. KRISHNAMOORTHY. At this time, I am going to turn the gavel over to Congresswoman Tlaib who will conduct the rest of the proceedings and the rest of the questioning here.

Congresswoman Tlaib, ready for the gavel? Okay.

Ms. TLAIB.

[Presiding.] Yes, I won't break it.

Mr. KRISHNAMOORTHY. Okay. Thank you.

Ms. TLAIB. Thank you so much for joining us.

I yield five minutes to myself.

Just yesterday, the Department responded to questions for the record that stated, quote: The Department believed then and continues to believe that these campuses were in accredited status until their date of closure. Let the students at these schools...on record—let it be known as being told that their school was not accredited. Their transcripts shows not accredited, but you maintain that all along that these two schools were accredited.

The question is: Is it within your authority to overrule HLC and retroactively make these schools accredited? And, if so, is that what you are trying to do today?

Ms. JONES. It is not within our authority to overrule the accreditor. However, we have reviewed the accreditor's standards and have found a number of inconsistencies. And, in fact, they did not have a policy in their standards that would have allowed them to take a negative action against the institution, which is why they continued to participate in Title 4. And it so is still our position and our belief, we perceive that those institutions were accredited because there was nothing in the HLC standards that would have allowed them take a negative action against those institutions.

Ms. TLAIB. If you believe these schools were accredited, then why did you order Dream Center officials to amend their web page?

Ms. JONES. Well, it was a long and complicated review of standards. And the most important thing was to make sure that the information that the students received was consistent with the accreditors' website. So, despite our concerns about the accuracy, we have a long process that we have to go through to review accreditor standards. And it was important to us that the school adhere to the rules of their accreditor and used the language required by their accreditor on their website.

Ms. TLAIB. So I don't know if—so these responses also state that, on July 18th of 2018, you told Dream Center officials to take corrective action and remove their false declaration of accreditation status. Is that correct?

Ms. JONES. Yes, on July 17th, I had a call with a number of accreditors. And HLC then raised the issue that the website had incorrect information. On the next day, I met with Dream Center leaders, and I provided them with a list of bullets of the information that I had received from accreditors, and part of that was to say to them please update your website to be consistent with HLC's requirements.

I learned after the fact that they had already updated their website, and HLC confirmed to me that the website was correct.

Ms. TLAIB. In responses to QFRs submitted to Senator Durbin yesterday, the Department stated that HLC did not notify the Department that they have taken an adverse action against the institution, which would have disqualified these institutions from participating in Federal Student Aid programs.

Is it your understanding that HLC did not send a copy of their July—January 20th letter or any other related correspondence about the suspension of Dream Center's accreditation to Department officials?

Ms. JONES. I was not at the Department at the time of the transaction, and so I am not in possession of their letters. However, what I was told is that the letter that the Department received from HLC described change-of-control candidacy status as a pre-accredited status, and pre-accredited is an accredited status.

Ms. TLAIB. In December 4th of 2018, a letter to Senator Durbin, you stated that prior to August 2, 2018, only two meetings between the Department personnel and Dream Center representatives occurred in regard to the impending closure of many of Dream Center's campuses.

To clarify, other than these two meetings, did you ever communicate in any way, including but not limited to exchanging calls, emails, or text messages Brent Richardson, Randall Barton, Shelly Murphy, or any other Dream Center officials?

Ms. JONES. Shelly Murphy was their regulatory affairs person. She was the person that I was told to communicate with. I don't remember the exact date, but when we had the meeting, because there were so many accreditors involved in the closures and because it was so complicated, I did say that I would convene accreditors to make sure they were all in agreement that the teach-out plan was sufficient. And at some point in time during those meetings, I did communicate with Shelly Murphy that indeed the

accreditors did want to work together. And, in fact, I continued to work with the accreditors throughout the closure.

So I don't remember the exact date, but——

Ms. TLAIB. What was discussed at those meetings?

Ms. JONES. The first meeting was when—in fact, the first meeting in June was the first time I ever met anybody from the Dream Center, and that is when they met with a large group of us, including professional staff from the Department. That's when they said to us that the financial condition of some of the campuses was worse than had been presented to them and that they would need to close a number of campuses. And I think they may have given us the number of 30 campuses.

And so they were talking to us about the campus closures. At the time, you know, we said: You need to notify your accreditors. You need to have teach-out plans.

And we talked about how that might move forward.

Ms. TLAIB. I have to reclaim my time. I'm so sorry, Ms. Jones. Yes or no. Have you exchanged text messages with Brent Richardson?

Ms. JONES. I'd have to go back and look at——

Ms. TLAIB. Sources have been in touch with the subcommittee attesting that you, in fact, texted with Dream Center officials about their suspended accreditation.

Do you agree with that statement?

Ms. JONES. I don't remember. I have to go back and look.

Ms. TLAIB. You don't remember texting?

Ms. JONES. I don't remember texting. I do remember receiving a text from Shelly Murphy that she wanted to talk. I——

Ms. TLAIB. But not Brent Richardson.

Ms. JONES. I'd have to go back and look. I just don't remember.

Ms. TLAIB. Can you followup with the committee please?

Ms. JONES. Absolutely.

Ms. TLAIB. I really appreciate it. Thank you so much.

I will now acknowledge Congresswoman Pressley for her first round of questions.

Ms. PRESSLEY. Thank you, Madam Chair.

Ms. Jones, I'm going to get straight to the point because I'm limited on time here. We have heard extremely troubling figures regarding the Department's lack of action on borrower-defense claims. Department data shows since June 2018, not a single borrower-defense claim has been processed.

Ms. Jones, at this moment, do you know how many claims remain unprocessed?

Ms. JONES. It is a number that changes from time to time. It is probably in the neighborhood of 160,000. The last official count I got was 158,000, so I'm assuming it's somewhere in the name of 160,000 by now.

Ms. PRESSLEY. Well, that is absolutely unacceptable.

Each and every one of these outstanding claims represent a defrauded and harmed student, a student who has been saddled with debt, which is standing in the way of a future degree or a better job to support their family, or a student who literally showed up to a school to find the doors closed. These are lives that have been forever impacted by this industry's predatory and deceptive prac-

tices. So it is crucial that we understand how the Department has allowed these claims to pile up. Ms. Jones, for the record, please, yes or no, is there currently a policy which restricts the office of Federal Student Aid from adjudicating or processing any borrower-defense claims that did not stem from a school closure?

Ms. JONES. The problem that we are trying to solve at the Department is that the——

Ms. PRESSLEY. I'm sorry. I'm short on time.

Yes or no? Is there a policy that prevents——

Ms. JONES. There is not a policy that prevents the review of claims. However, we are not able to determine the level of harm or the level of relief that a borrower should get because the methodology we use is now being challenged by the California courts. So, we continue to process——

Ms. PRESSLEY. Reclaiming my time.

In June of last year in a judgment against Secretary DeVos that prevented the Department from collecting on certain Corinthian College students, the ruling stated, and I quote: Nothing in this order, nothing in this order prohibits the Secretary from fully discharging the loans of any borrower who has successfully completed or who successfully completes an attestation form, unquote.

So I'm trying to understand what is the holdup here, Ms. Jones. So, yes or no, can you commit to a concrete timeframe for adjudicating the more than 160,000-plus claims the Department has allowed to buildup?

Ms. JONES. No, Congresswoman, I could not commit to a time. We are still waiting for the California court——

Ms. PRESSLEY. I'm reclaiming my time.

Ms. JONES. But we also said that it was appropriate——

Ms. PRESSLEY. I'm reclaiming my time.

Ms. JONES [continuing]. for us to——

Ms. PRESSLEY. I'm reclaiming my time.

Ms. JONES [continuing]. deliver——

Ms. PRESSLEY. The court case does not apply to all borrowers. What about the others? Are you not going to process any of them?

Ms. JONES. We are processing claims. We continue to process. What we can't do is determine the level of harm or the level of relief——

Ms. PRESSLEY. Okay. Reclaiming my time.

Ms. JONES [continuing]. because the methodology has been challenged.

Ms. PRESSLEY. I'm sorry. I'm short on time. I'm reclaiming my time.

Ms. Jones, the Project on Predatory Lending at Harvard reports that up to 14,000 students from ITT, the for-profit chain which collapsed in 2016, are still awaiting their claims to be processed. Do you know how many of those 14,000 have actually been processed?

Ms. JONES. I would have to get back to you with——

Ms. PRESSLEY. Since 2016? I actually have the number. The answer is 33—33 in four years, Ms. Jones. To add insult to injury, some of these students have even had their tax refunds garnished as their claims have been stalled,

People like my constituent in Mattapan, a neighborhood in Boston who respectfully asked to remain anonymous. His claim has

been processing for more than two years, and he has received no response from your agency. His loans are now in default. His wages, his tax refunds including his earned income tax credit have been garnished. He's a single father, just trying to get by to support his family and bounce back from being targeted by this industry.

These are the stories behind the claims that your agency leaves unprocessed, 33 in four years, Ms. Jones.

Ms. JONES. I would encourage your constituent to reach out to us because he should be——

Ms. PRESSLEY. Reclaiming my time.

Ms. JONES [continuing]. in forbearance——

Ms. PRESSLEY. I'm reclaiming my time.

Ms. JONES [continuing]. and not be in collections.

Ms. PRESSLEY. Ms. Jones, does the Department refer students with unprocessed borrower-defense claims to the Treasury Department?

Ms. JONES. Could you repeat that question?

Ms. PRESSLEY. Do you refer that information to the Treasury Department, borrower-defense claims? Are you sharing information with the Treasury Department around borrower-defense claims?

Ms. JONES. I don't believe we share that information with the Treasury Department. I believe that it's the servicers who may have provided information about a default. But, again, when somebody has a pending borrower-defense claim, they are entitled to a forbearance, which means they would not be in default on their loan. They would not have to make payments.

Ms. PRESSLEY. Reclaiming my time.

Ms. JONES. So have your constituent——

Ms. JONES. Reclaiming my time.

Ms. JONES [continuing]. reach out to us.

Ms. PRESSLEY. I'm sorry. Reclaiming my time. I'm running out of time here.

The FOIA documents show that Corinthian's marketing and advertising plan was tailored to low-income people and single mothers of color specifically. The internal documents heartlessly describe these potential students as desperate for a better future and afflicted with low self-esteem, the internal documents. And yet you sit on thousands upon thousands of claims of students that attend schools like this.

Can you commit to providing this committee a detailed plan in the next two weeks, explaining how you plan to expeditiously address these 160,000 unprocessed claims?

Ms. JONES. No, Congresswoman, I cannot.

We are waiting for the California court to make a determination——

Ms. PRESSLEY. This does nothing——

Ms. JONES [continuing]. about our methodology.

Ms. PRESSLEY. That does not speak to all of the loan—of the borrowers.

Ms. JONES. Every single borrower defense——

Ms. PRESSLEY. That——

Ms. JONES. Every single borrower-defense claim has to be evaluated for the level of harm and the level of relief. The only methodology—

Ms. PRESSLEY [continuing]. Ms. Jones—

Ms. JONES [continuing]. we have is under—

Ms. PRESSLEY [continuing]. Ms. Jones—

Ms. JONES [continuing]. the courts.

Ms. PRESSLEY. Respectfully, there is no answer that you could provide me that would be sufficient when you have processed 33 claims in four years, and we're talking about thousands of lives which have been irreparably damaged.

I yield back.

Ms. JONES. We processed the Corinthian—

Ms. PRESSLEY. I yield back.

Ms. JONES [continuing]. claims first.

Ms. PRESSLEY. I yield back.

Ms. JONES. So, there have been more than 33 claims total processed.

Ms. PRESSLEY. I yield back.

Ms. TLAIB. Thank you so much.

We will now start our second round. I recognize myself for my second line of questioning.

One year ago today, the House Education and Labor Committee, Ms. Jones, held a hearing with Secretary DeVos on a variety of ethics and conflict-of-interest issues involving Secretary—the Secretary and other appointees of the Department, including yourself.

On January 28, 2017, President Trump issued an executive order which required that every executive branch appointee sign and abide by an ethics pledge. The ethics pledge includes a provision that states, and I quote: I will not for a period of two years from the date of my appointment participate in any particular matter involving specific parties that is directly and substantially related to my former employer or former clients, including regulations and contracts.

Ms. Jones, did you sign that ethics pledge?

Ms. JONES. I did, and I had the good fortune of having gone to the Department of Labor before the Department of Ed. So I've had two career attorneys review that pledge, review my background, and confirm that I am recused from the appropriate prior employers.

Ms. TLAIB. It's wonderful you signed it.

On your financial disclosure report, you reported that, in 2017, while you were a senior fellow at the Urban Institute, you were also an expert witness for the Center For Excellence in Higher Education on, quote, Higher education policies, practices, and regulations.

Ms. JONES. That is correct, and they are on my list of recusals.

Ms. TLAIB. Okay. On your Lincoln page, it currently states you were President of AJ Squared Consulting until October 2017—October 2017. Is that correct?

Ms. JONES. Yes, October 2017, yes. That is correct.

Ms. TLAIB. Did you have any other consulting clients during the two years prior to your appointment at the Department of Education?

Ms. JONES. Yes, I did. I spent one month doing a project for APSCU, which is a trade association. They are on my list of recusals. And I spent a couple of months writing a report for Rasmussen University, and they are also on my list of recusals.

Ms. TLAIB. This committee is currently investigating the Trump administration's use and disclosure of ethic waivers as part of an effort to reform and improve existing ethic laws, as you know. Last week, Chairman Cummings sent letters to the White House and 24 Federal agencies, including the Department of Education, seeking information on the use of ethic waivers.

Ms. Jones, have you been issued a waiver under the ethics pledge or any other ethics rule?

Ms. JONES. I have received no waiver with regard to my recusals. I'm not quite sure what you mean by a waiver, but I have not asked for or received a waiver from any of the organizations or institutions on my recusal list.

Ms. TLAIB. Yet despite the fact that you have not obtained a waiver or you think you didn't have to obtain a waiver, you have participated in matters including the gainful employment rule that are substantially related to your former clients in the for-profit higher education industry.

Did you ever complete an ethics agreement during your time at the Department of Labor?

Ms. JONES. I did.

Ms. TLAIB. As part of the Ethics Committee—agreement—oh, I'm sorry. Did you ever—ethics agreement during your time at the Department of Labor or at the Department of Education? Ethics agreement, you did both of those ethics agreements.

Ms. JONES. I did both of those.

And just to be clear about gainful employment, I spent time with attorneys at both agencies. And I am not recused from working on issues related to gainful employment because the restrictions are around particular issues, particular entities, and gainful employment has a much wider—

Ms. TLAIB. So, as part of the agreement, did you agree to recuse yourself from any matters potentially affecting your former clients or former employers, including Career Education Corporation, particularly that one?

Ms. JONES. Career Education Corporation is not on my list of recusals because I left Career Education Corporation in 2015, and according to the rules and the review by our career attorneys, I was not recused. However, I have not worked on any issues related to Career Education Corporation.

Ms. TLAIB. Okay. So you now work at the Department and are involved in regulating the same industry you recently represented. This is sort of a revolving door between the industry and the government service that the executive order is intended to prevent. You ought to be recusing yourself more in regards to Career Education Corporation. But are you saying gainful employment would not impact any of your prior employees?

Ms. JONES. Gainful employment has a broad reach, including certificate programs at nonprofit institutions.

Ms. TLAIB. So it doesn't?

Ms. JONES. So I am not required. It is not a particular matter that I am required to recuse myself from.

Ms. TLAIB. That's what we were—we're not expecting you to say that, but you ought to be recusing yourself from such matters and setting an example for others instead of violating the spirit of the ethics pledge because the spirit, but the spirit of the ethics agreement and as attorney of law, I'm telling you that's the whole point is, you know, government's supposed to be about people and the conflict of interest in making sure the best interests of American people is at the forefront and trying to completely put a wall between you and the former employees is so important.

Ms. JONES. Again, I'm following strictly the guidance that I was given by two career ethics attorneys.

Ms. TLAIB. You should definitely get your own personal lawyer. I'm recommending that to everybody that works for the Trump administration. Please, I'm asking all of you: Seek your own legal counsel. You will not be protected when it comes down on you, but you'll have to fall on the sword. You don't want to do that, Ms. Jones.

Thank you so much.

And I now recognize my colleague, Mr. Grothman, for five minutes.

Mr. GROTHMAN. Sure. Thank you for coming over here today. Obviously, made more difficult than it was intended.

I'd like to ask your opinion of your predecessor, the past administration, what things you wish they would have done differently that would be able to make your job easier today.

Ms. JONES. Well, that's a difficult question, and I try not to look backward, and I try to look forward. So I would have to give that some thought. I'm not quite sure what advice I would have for those who were there before me.

Mr. GROTHMAN. Okay. I think for-profit colleges obviously offer benefits. Otherwise, they wouldn't have so many people going there.

Are you at all concerned that excessive regulation right now might be unnecessarily limiting these opportunities or may be unnecessarily driving up tuition at these institutions?

Ms. JONES. Yes, our position is that we're, you know, we're quite concerned that—I mean, and we heard this from R.J. that often-times there are programs that are available only at these institutions, and if those programs don't exist, the student won't have another option. So we are worried about limited options; and we have to review this carefully.

We're also concerned about programs in the nonprofit sector that have not yielded the outcomes that students expected.

Mr. GROTHMAN. Okay. College can be a time for students to find their passions. Some students know what they want, you know, a technical career, plumber, whatever. For-profit colleges offer certificate programs to advance students in these types of careers. Do you feel that disproportionately these colleges provide an option that might not be available otherwise?

Ms. JONES. Absolutely. In fact, if you look at the gainful employment disclosures that were posted by nonprofit colleges, the majority of those programs did not have to report because they served

less than 30 students. And if you have less than 30 students, you don't get a report. So the majority of the programs provided by nonprofit institutions that qualify for gainful employment coverage didn't have 30 students.

I think that shows that there aren't enough of these programs, and there aren't enough of these opportunities and, yes, I do believe that the schools that are serving students well provide opportunities that other institutions don't provide.

Mr. GROTHMAN. I'll give you another question, and I asked this to the previous panel, but I'll ask you as well. I know the student loan debt is just an embarrassment to the country that it's gone on so long and, quite frankly, an embarrassment to all sorts of institutions of higher learning that they let their students out into the field in such a disastrous situation.

I'm going to check a little bit more into this, but a prominent person of for-profit suggested that, in the future, before getting any student loans, the universities themselves would have to sign off, the idea being that students like probably everybody else in our society doesn't appreciate the danger of debt, or, you know, they'll take out a loan right now if it means the ability to buy some more junk without thinking about how difficult it's going to be to pay it back in the future.

Do you think it would be a good idea to have all institutions of higher learning sign off on any student loans, sign a statement they reviewed the financial situation and that——

Ms. JONES. I think schools for many years have been asking the Department for the authority to stop borrowing or stop allowing a student to borrow. Right now, an institution does not have the authority to interfere with the student's right to borrow. So you can see a student headed for disaster. You can counsel the student. You can warn the student. But you do not have the authority to cut them off or not allow them to take out a student loan, and that is a problem.

Mr. GROTHMAN. Now, this is where I got it right, from a for-profit who wanted that ability, and actually this person claimed that at one time they were preventing people or did something to try to prevent people from taking out loans, and they got a call from Washington telling them that they couldn't do that.

Is that possible?

Ms. JONES. It is possible. I remember some years ago there was a letter that was sent to the Department asking specifically if an institution could cutoff a borrower. And the response, so I'm told, in response to that letter, was that an institution does not have the right to interfere with the student's right to borrow. I also made that request before I came back to the Department when I was in higher ed, and I was given the same information, that the school may not interfere with the student's right to borrow.

Mr. GROTHMAN. I'd like to work with you on that. I think it's just horrible that the bureaucracy or somebody, I guess, there are people around here who think it's beneficial to borrow more money, but I'd like to work with you on that.

And, again, thanks so much for coming over here today.

Ms. JONES. Thank you.

Ms. TLAIB. Thank you as well. We really do appreciate you answering our questions.

Before I yield to—you did say, just to followup on my colleague, you said there was no policy preventing the quote, review of borrower-defense claims, but I—but I want to know if there is a policy preventing the adjudication to completion of claims.

Do you have such a policy?

Ms. JONES. I wouldn't call it a policy. I would say that our methodology is on hold because the California court has said that we cannot continue until a decision is rendered. So we don't have a policy, but the methodology cannot be applied. So we are waiting for the court to rule.

Ms. TLAIB. Thank you.

I now yield to Congresswoman Pressley.

Ms. PRESSLEY. Thank you, Madam Chair.

Ms. Jones, in 2014, the Obama Administration proposed the gainful employment rule. This was proposed as an accountability standard for all career-focused nondegree programs. The rule to revoke a school's access to Federal Student Aid if the typical debt-to-earnings ratio of graduates exceeded a certain threshold two out of three years.

As you well know, it was designed to ensure that career-focused programs had value and led to increased student earnings sufficient to justify their costs.

In January 2017, the first complete set of gainful employment ratings was released by the Department using earnings data attained from a memo of understanding with the Social Security Administration: 800 programs failed to meet the debt-to-earning standard, and 1,200 more fell into probationary status; 98 percent of the programs that failed were at for-profit colleges. Reports show that 350,000 student were enrolled at the worst rated programs, which collected a total \$7.5 billion in Federal funds.

Now, the rule can only be enforced if a second year of failing ratings occurs. Yet, under the Trump administration, the Department has issued no additional ratings since the 2017 data set.

Ms. Jones, how many programs would have been subject to enforcement if the Trump administration had continued the Obama Administration's policy?

Ms. JONES. Well, Congresswoman, we cannot get the data from the Social Security Administration to do a second year's analysis. And so I can't tell you how many of those programs would have failed a second year. The MOU was not renewed. We do not have access to those data. We cannot calculate the debt-to-earnings outcomes.

Ms. PRESSLEY. Okay. Well, again, 800 programs failed, and 1,200 were probationary when the Obama Administration was enforcing this rule. And, in fact, The New York Times reports that 300 of these programs have since been shut down. Just as troubling is the fact the Department may have abused its memorandum of understanding with the Social Security Administration with the intent for the MOU to lapse.

So, without the MOU with SSA, is the Department able to evaluate debt to earnings in the manner that gainful employment rule requires?

Ms. JONES. No, Congresswoman, we can't. The rule——

Ms. PRESSLEY. Why not?

Ms. JONES [continuing]. is very specific that only Social Security Administration data can be used. This was part of the negotiated rulemaking back in 2014, and the Department was very specific in identifying which government data base would be used, and it is the Social Security Administration.

Ms. PRESSLEY. Well, this is most unfortunate, quite unsavory. I think it's a failure to enforce—the rule would give an additional \$5.3 billion to almost exclusively for-profit programs.

Did the Department make any attempts to extend this MOU with SSA?

Ms. JONES. I believe so. I think those attempts began before I joined the Department, but I am aware that——

Ms. PRESSLEY. Can you commit to—I'm sorry. I'm running out of time. Thank you.

Can you commit to submitting these communications to the committee within the next two weeks?

Ms. JONES. I can't commit to a timeframe. I have to work with our General Counsel's Office. I personally don't have those communications. So I will take it back, and we will have a conversation.

Ms. PRESSLEY. Well, again, the Department's MOU expressly stated its purpose for the enforcement of this gainful employment rule, and yet the Department, it seems, has really abused this agreement.

Did the Department intentionally abuse SSA data attained from the MOU to create a tiered relief process for partial loan forgiveness?

Ms. JONES. I don't believe that the Department abused the use of data. I think the question is whether or not Social Security data can be used for any purpose other than administering the Social Security Act. I believe that that is the source of the concern, and so it covers both gainful employment calculations, and the California court has expressed concern about using those data for tiered methodology.

Ms. PRESSLEY. I hope that's true because I would hate to think that the Department intentionally abused earnings data and dragged its feet to trigger cancelation of the MOU.

Can you assure me that that's not what occurred?

Ms. JONES. I wasn't there at the time that the—our relief methodology was developed, so I can't—and I can't assure you to things—about things that happened before I got there, but I can assure you that, right now, the tiered relief methodology is on hold because of the California court.

Ms. PRESSLEY. All right. Well, we've simply got to do better, but I thank you for being here and for taking the time to answer our questions.

Ms. JONES. Thank you.

Ms. TLAIB. Thank you so much again. I'd like to thank again on behalf of all the committee members for your testimony today, Ms. Jones.

Without objection, all members will have five legislative days within which to submit additional written questions for the witness

to the chair, which will be forwarded to the witnesses for responses.

I ask our witnesses to please respond as promptly as you are able.

And, with that, this hearing is adjourned.

Thank you.

[Whereupon, at 5:30 p.m., the subcommittee was adjourned.]

