U.S. DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

PUBLIC REGIONAL HEARING ON
NEGOTIATED RULEMAKING

Thursday, June 18, 2009
9:00 a.m. – 4:00 p.m.

University of Arkansas
Donaghey Student Center
Ledbetter Assembly Hall
Rooms B & C
2801 S. University Avenue
Little Rock, Arkansas
MR. MADZELAN: Good morning, everyone. We will try—we will start with a test. Is this good? Okay.

Good morning, everyone, and welcome. My name is Dan Madzelan. I am currently delegated the responsibility and authority to perform the functions and duties of the Assistant Secretary for Postsecondary Education. If you want to say I'm the acting Assistant Secretary, that's okay with me.

I'm joined here this morning by Greg Darnieder from the Office of the Secretary. And, on my right, Fred Marinucci, our Office of General Counsel.

What we will do this morning and this afternoon, basically you're the talkers and we're the listeners. When we engage in a rulemaking for our Title IV student aid programs, we are required by statute to engage in a process of negotiated rulemaking. That is, we sit down at the table with affected parties--interested persons, representatives of all sectors and segments of higher education--to negotiate a Notice of Proposed
Rulemaking.

This is actually--today, here in Little Rock, earlier this week in Denver, and early next week in Philadelphia, is the first part of this process where we reach out to, again, the higher education community and solicit their ideas around what ought to be on the negotiating agenda, what topics the Department ought to take up in the rulemaking exercise. Now, we published--you're all here because you know about it and you know about it because we published a notice in the Federal Register a couple of weeks ago, where we indicated the areas we were interested in regulating. Now, a little bit of brief history.

Coming out of last summer's Higher Education Opportunity Act--the reauthorization of the Higher Education Act, we knew that there were certain things that we needed to do right away. And that's why we immediately engaged this past winter and early spring in a round of rulemaking to implement provisions in the reauthorization legislation.

We knew also that there were some provisions that could wait for a period of time.
And so, we knew that there would be a second subsequent round, which is what we are here today for. And mostly those subsequent issues were around foreign institutions, their participation in our Federal Student Loan programs by and large.

We also, of course, between last summer and now, have had a change of administration and a new policy team in place here at the Department.

And so our--our new policy team had also have come with some ideas around other issues that perhaps are ripe for regulating. And we mentioned those in the Federal Register notice. These are largely--I think we can characterize them as program integrity measures. There's also several of them that sort of bled out a little bit from our most recent round of rulemaking, around--in particular, the awarding of two Pell grants in one year.

So, we're, you know, interested in looking a bit at satisfactory academic progress. Also, an interest in, as we mentioned, looking at, you know, what constitutes a credit hour in the context of the acceleration of students' academic progress for purposes of the two Pell grants in one year.

And then some other issues that have, I
think, we've been keeping an eye on for a couple of years. Incentive compensation, for example. I think some of you remember we regulated on that back in 2001 and provided these safe harbors. We had several years' worth of experience in that scheme, at this point. And so we think it's probably not a bad time to revisit that with some experience under our belt. So--and, again, there are the other issues that we mentioned.

Now, we're not limiting ourselves to those issues that we've identified. There are others that we certainly will take under consideration as --as you suggest them to us. But, of course, the thing to keep in mind is our, you know, our own internal resources.

As we mentioned, we have a rulemaking process that is winding down. Actually, it's--I won't say it's winding down. That's a bad way to characterize it. It continues to wind. The--with our--we should be publishing proposed rules coming out of the last round of Negotiated Rulemaking within the next few weeks, with an eye to publishing our final rules by November 1st this year.
So, obviously, that is a commitment of staff resources that is important. And we also have to commit, obviously, staff resources to this current effort.

So, again, I don't want to preclude anyone suggesting anything that they think that the Department ought to take up at this time. But, again, I also want you to be aware of, you know, resource constraints. And we ultimately--back at the Department, our policy and management team will make decisions about what we--you know, how big a bite we take in the regulatory apple at this time.

The other thing, just to keep in mind, is that in our rulemaking we implement legislation. We implement authority that the Congress has provided to us. We don't use regulation to change the statute. That's for Congress to do. So, again, there may be items that you think are good ideas and we ought to pursue. And we may from time to time politely inform you that we cannot do that in this process because that's a statutory issue.

So, again, I in no way want to suggest that, you know, you limit yourself in any way. I mean, we--as I say, we are here to listen to what
you have to say.

Now, we may, as you speak or as you give your testimony or after your testimony, as a question or two if we think—if we feel we're not understanding something completely and need a little more—a little more explanation from you. But, again, we are—so we'll ask those questions.

And what we're not here to do is to answer your question around what does the Department think about X. Again, we are here to listen to what you have to say.

So with that, I'd ask Greg and Fred if they have anything to add.

**MR. DARNIEDER:** Well, I just add my welcome and thanks for sharing your thoughts with us today. I do work with the Secretary, worked with him in Chicago on college access issues, and have known him about 20 years and some of the development work that we did prior to coming to Chicago Public Schools.

So, again, I appreciate your being here and look forward to what you have to share with us.

**MR. MARINUCCI:** I just look forward to hearing what you have to say.
Thank you.

**MR. MADZELAN:** Now, in terms of process, you know, those who want to speak, you have signed up and we have signed you up for 10-minute intervals. Our experience in the past is, by and large, you don't speak for 10 minutes at a time. It's usually a bit less. So we'll probably, then, you know, maybe go through this morning's speaker list perhaps a little bit more quickly than--than we have listed.

The other thing that that provides for us is opportunities to slot other folks in, maybe people who arrive a little bit later and want to speak or maybe their own time is limited. So, again, if you are signed up for a specific time, you can be certain you will speak at that time or maybe a little bit earlier than that time.

So, it looks like we are pretty full for the morning. We do have a break scheduled for 10:30 this morning.

So, I will start this by--I call the first person. And if we, you know, mangle your last name a little bit, that happens to me a bit, please correct us and--because we want to make sure we
have that right.

So, our first speaker is Vaughn Collar from the University of Phoenix here in Little Rock. And we have the podium over the--on the side.

Mr. Collar: This will teach me to be here early.

All right, like I said, I'm Vaughn Collar. I'm a student at the University of Phoenix. I just went to the commencement ceremony this last weekend and was asked to speak by Autumn Hemphill and Alicia Stephens for this.

All right. The University of Phoenix has been an extremely positive influence, both for now and for the rest of my life. Going back to school was a decision I had been putting off for some years. But continuing--choosing to continue with my education, I know I will be a better person for that decision.

University of Phoenix has given me a quality education, one that has and will aid me in the business world that I am choosing to enter. Having already been in management on a smaller, local level, the education received from the
University of Phoenix has shown me where I have needed improvement and has also given me a greater understanding of all the theories behind management.

Another factor I must consider is that the level of emphasis is put on teamwork at the University of Phoenix. One of the main factors that causes any successful business to achieve that success is teamwork. The team concept that is part and parcel of the education at University of Phoenix prepares its students for working within the framework of a team. This teamwork concept has, on an individual basis, given me the confidence to embrace leadership roles, yet still be able to value each member's contributions.

The last factor I must mention is the emphasis put on presentations. The last night of each class, the aforementioned teams are instructed to give a presentation to the rest of the class. These presentations have shown me the value of being able to speak in public and given me the confidence to speak in public.

By and large, the teachers at University of Phoenix have been nothing short of
inspirational. Rarely have I ever left the class without the knowledge that I had been bettered by attending that class.

The fact that all the teachers at University of Phoenix are additionally professionals in their field lends an air of credibility to their words. You know as a student that the curriculum chosen for each class has been examined by the teachers themselves. You learn not just the theory, but also real-world examples that go a long way towards aiding and understanding of the subject at hand.

The counselors and advisors have always been readily accessible for any and all questions that I and the other students may have for them. In my case, the path that I was to take was clearly laid out for my first 19 classes. I still needed to complete a few classes towards the end of this, and both my academic and financial counselors were very able to quickly show me how to expedite finishing these courses.

As I stated earlier, going back to school had been put off for some years. Mostly this is due to a lack of ability to fit work and school
together. University of Phoenix offered me a way to maintain my career and attend school on a full-time basis. I had explored other options prior to this, and none of them were able to accommodate my wants and needs.

Two other reasons led me to the University of Phoenix. One is that the campus is located about five minutes from my house, so that makes it pretty easy to attend class. Another is the flexibility that attending University of Phoenix gives its students. Classes are available not only on campus, but online. Should my career had taken me to another location, I knew that my college career could continue uninterrupted.

When I started there at University of Phoenix, financial challenges were not exactly on my mind. The company I was employed with at that time offered tuition reimbursement as a benefit of employment. When I was laid off in February, one of my first thoughts was how am I going to be able to finish school? My financial counselor was extremely helpful in showing me how to apply for financial aid, guiding me step-by-step through this process. Because of her, I will finish my
bachelor's degree in September, and also continue
the process of acquiring my master's degree.

I am extremely thankful for the
opportunity that the University of Phoenix has
given me to finish my education. I learned the
value of education and training as a member of the
United States Navy, serving on submarines. A major
requirement for serving on subs is to learn the
functions of all major systems on board. Without
this training, a person is a liability, not an
asset, should an emergency arise.

The same is true with education, and new
knowledge and education can make a person a better
asset for themselves, their family, and their
community. I now feel that I'm a better person,
both professionally and personally.

I am proud to consider myself a University
of Phoenix graduate and now alumni.

Thank you.

MR. MADZELAN: Thank you.

Sandra Busby.

MS. BUSBY: Can you hear me now? Ah,
there it is. No pressure. And I have a delightful
feeling of cheating by being able to read my
testimony because when you're doing your studies, as we all know, that's a no-no.

But my name is Sandra Busby. I am a graduate. I have my bachelor's degree from the University of Phoenix. And the impact that the--this experience has had on my life is immeasurable. The University of Phoenix brought a wonderful and positive transformation to my life.

I had remained in the same job for approximately 10 years before transferring from Arkansas State Police to Contract Estimates in the main building of the Arkansas State Highway and Transportation Department. And within a short span of time, I realized the world of technology had passed me by. I had always felt confident and competent with my job performance during my entire work career. Therefore, the unpleasant experience of feeling inadequate was totally unacceptable. So, I decided to do something about my lack of skills.

Since I was an adult student--a little bit older than some of them--I found the prospect of going back to school intimidating. But an astonishing surprise--and I love this part of it--
lay ahead of me. Not only were the necessary
skills gained, but I also discovered a true
enjoyment of the learning process. What a perk.

In addition, I strongly believe my
professionalism was enhanced by working closely
with team members from varying professional
backgrounds and the staff of UOP.

The final product of these experiences is
a more confident, professional woman who is happier
with herself as an employee, but also as her own
person.

There was a tremendous influence from the
faculty counselors and advisors. From the
beginning of my association with UOP, I have
experienced a helpful and caring attitude in every
department, including visits with Dr. Sullivan,
Director of Academic Affairs. No one is
unapproachable there.

The financial aid and advisors always
exhibited--excuse me--a willingness to help when
asked a question. Pardon me.

The Student Service Coordinators,
especially John Renard--he was very special to me--
were a joy to know. When I had difficulty with a
The instructors and staff were accommodating with the needed help and tutoring if necessary. I am convinced that Mr. James Cross' weekly study sessions enabled me to pass the dreaded math courses; not my stronger point. I will always remember how the instructors diligently worked with me on three different occasions, as I worked my assignments while on vigil at the hospital with family members.

Alicia Stephens, the Financial Services Manager, has been gracious in her recent contact with me when she called inviting me to this hearing. Chuck Burns and Dana Padilla set a special computer class for interested parties from my worksite.

There are many more I could mention. But I believe what I have experienced at University of Phoenix are the reasons the University continues to grow and prosper. And there are many reasons I chose the University of Phoenix, but I narrowed it down to just a few.

With the first college that I actually started—well, that I enrolled in, I would have only received an associate's degree. At some point
in time, a recruiter contacted me about transferring to the University of Phoenix where I could earn a bachelor's degree in lieu of an associate degree.

So after several phone calls from the recruiter, I finally decided to pay UOP a visit. Getting a bachelor's degree instead of an associate's degree seemed to be more logical and productive.

I definitely liked the idea of doing the assignments in my timeframe as opposed to a classroom setting five days a week, which I found exhausting after working all day.

After arriving at University of Phoenix, I enjoyed the atmosphere of the older students because where I had previously attended, the students were quite a bit younger and I felt like the University of Phoenix was a better fit for me.

When University of Phoenix allowed all of my credits to transfer, that was the clincher in my decision to attend classes there.

And when it came to financial challenges, one instance stood out in my mind. At one point in my education, I faced a hurdle that looked way too
high to get over. And I considered—well, my, my.
Okay. And I considered my education at an end.

Due to the encouragement and intervention of Autumn Hemphill and Brittany Elder, my studies resumed. They were my strength and resolve when I had none of my own. So, I know I would not have earned my degree if they had not intervened and I will be forever grateful, so.

The University of Phoenix has been a positive experience in every aspect. Most importantly, the University of Phoenix awakened my desire for knowledge and groomed me to apply this knowledge in every area of my life. And I could talk for another 10 or 15 minutes, but I will stop at this point and give someone else a chance.

Thank you.

MR. MADZELAN: Thank you very much.

Salvadore Diaz?

MR. DIAZ: Good morning. Good morning. Can everybody hear me okay?

My name is Salvadore Diaz. I am a graduate of the University of Phoenix, graduate of 2008. I earned my MBA.

Like Sandra, I am a little bit older. I
am 61 years old, have been started out with the University of Phoenix in the bachelor's program, went on to the master's program, which I earned in 2008. I am proud to say that I am a phoenix.

They say that the phoenix bird is a myth in the sense that when it reaches the end of one life, that it bursts into flames and just dies in its ashes, only to be reborn again to start its new existence. The University of Phoenix has provided me that new existence. Its impact was immediate; it provided me the inspiration. It allowed me to take my life experiences and mesh them with my academic discipline.

The University of Phoenix sparked the desire for learning--the impact--in which my impact with others and how I interacted with them through the learning processes, and how to--and how to succeed. The impact of my experiences with the University of Phoenix was quickly apparent to those around me. The feedback that I received was that I projected a more aura of confidence.

Professionally, it allowed me to expand my duties to include not only the tasks of gathering data, but to analyze that data, which also included
a more--allowed me to make more impact in decision-making processes.

The greatest impact that the University of Phoenix experience has been is in my style of interacting with others. As the result of my education, I have a greater understanding of complex issues, which are--allow me to interact and easily participate in those detailed analytical decisions that need to be made and being listened to more soundly with a better, sound impact.

The University of Phoenix has influenced me in how I interact as a mentor with others around me. I find myself utilizing the University of Phoenix's method of teamwork to be a great inspiration to me. And it works greatly with others.

I find that the University of Phoenix curriculum was well-structured with knowledgeable facility members--or the instructors, guiding the educational experience at every turn. I was mostly very impressed with the instructors in that they would share their personal information with you. If I needed them, all I had to do was pick up the telephone. If I wasn't near a telephone, I could
use my laptop and send them an e-mail and I would instantly get back a response from them for any question that I needed, or help.

The counselors and the advisors strived to assist the students in many different ways, including providing online student and in-house computer labs, WiFi access, and Internet access so that you can do your research and write your papers and make sure that you get your assignments in to your instructors and to the school. The University of Phoenix counselors and advisors are excellent. My experiences with the counselors have been very satisfying in helping me deal with the other student personality issues, faculty issues, or counseling issues due to my business travel. I cannot say enough about the counselors, who give 110 percent in resolving issues for the students and the--for those issues that distract from the goal of getting the most knowledge from possible--from their courses.

The University of Phoenix advisors have always been available for the asking to provide the best advice on resources, solutions, academic solutions. During my time with University of
Phoenix, I found myself deployed to areas that have fallen to national disasters, causing me--the issues of trying to figure out how to continue participating in my classes while hundreds of miles away from my classroom with very limited Internet access. My advisors were available to redirect my course assignments to my instructors without missing a class assignment.

In choosing the--in trying to choose a university or a college to proceed with my education, I needed flexibility, classroom time, education materials, advisors and counselors, and a flexible method of working with my work schedule. I made the choice for this type of media, which is online, that--but needed a university that offering these choices for my education disciplines, that could meet my needs, and had an excellent reputation as well as accreditation. The University of Phoenix met those expectations, and has added a very satisfying life experience to me.

The University of Phoenix employs advisors and counselors which make facing the challenges of looking for finances uncomplicated. They work very hard with you and work with you step by step. If I
wanted to say holding your hand, they do hold your
hand, if necessary.

They ensure that each student receives the
education that they are striving for. I cannot say
enough to the dedication of these advisors and
counselors towards obtaining the financial
resources needed for each student in—so that I
could complete my degree.

I thank the University of Phoenix for my
education. Thank you.

**MR. MADZELAN:** Thank you.

Christine Johnson, Capella University.

**MS. JOHNSON:** Good morning. My name is
Christine Johnson. I'm the Director of Government
Affairs at Capella University. And thank you so
much for having us here today to give testimony on
the implementation of the Title IV, the Higher
Education Opportunity Act.

And first, I'd like to start out with just
a brief background of Capella.

Capella University was established in
1993, and is based in Minneapolis, Minnesota. We
are an entirely online university, with the
programs. We're regionally accredited by the Higher Learning Commission of the North Central Association.

Capella University applies technology to enable access for working adults who need to advance their education, but who might not otherwise be able to do so because of job or family commitments. Today, Capella University serves over 28,000 degree-seeking students who reside in all 50 states.

We're primarily focused on serving the working adult who seeks a graduate-level degree, but we also offer bachelor's degree programs. Currently, we offer 28 degree programs with 6 different specializations, including business, education, human services, psychology, technology, and public service.

Since 2001, Capella has watched the legislative development of the HEOA closely, focusing on issues relating to distance education. We are also interested in the many other aspects of Title IV implementation, including a number of those identified as topics for the Department's next round of negotiated rulemaking.
Of the issues identified by the Department, I'm going to focus my statements primarily on the definition of gainful employment in a recognized profession and incentive compensation.

On gainful employment. The changes made by the HEOA to the definition of a proprietary institution allow some such institutions in very narrow circumstances to offer liberal arts programs. During the recently concluded negotiated rulemaking process, Team 5 considered language to implement the new statutory language relating to liberal arts, but did not consider whether regulations were needed regarding the existing statutory reference to gainful employment in a recognized profession--occupation, excuse me. That is also in the definition of proprietary institution.

Capella is interested in learning more about why the Department seeks to examine this term. Capella supports higher education policy that examines broadly whether institutions of higher education are providing programs that lead to student success, i.e., that result in job--
However, there are a number of important factors related to the phrase "gainful employment in a recognized occupation" that require serious consideration.

First, the liberal arts provision in the definition of proprietary institution will apply to so few schools as to render it almost inconsequential.

Second, the legislative history of the HEOA clearly indicates that Congress did not intend for the additional liberal arts language to affect how the Department currently interprets the provisions regarding gainful employment in a recognized occupation.

And third, if the Department decides to amend its regulations regarding this phrase, it must acknowledge that the same phrase or remarkably similar ones appear in other sections of the statute. Therefore, any regulations defining the meaning of this term will be applicable to a broader array of institutions than just proprietary institutions.

On incentive compensation. The statutory
provision on incentive compensation was included in HEOA to prohibit compensation based solely on the number of students recruited, enrolled, or awarded financial aid. The conference report to the Higher Education Amendments of 1992 specifically stated that the statutory prohibition was not intended to prevent institutions from basing employee salaries on merit.

Without safe harbors between 1993 and 2002, the Department and institutions alike were unclear about what activities were permissible under statute. The Department's propagation of the safe harbors in 2002, therefore, was consistent with congressional intent and a welcome development in assisting institutions to maintain compliance with the statutory limitation.

Even with safe harbors, however, institutions have had to make good faith interpretations of the provisions, some of which have proven over time to be more ambiguous than originally intended. Because the safe harbors are not an exclusive list of permissive activities, institutions are similarly left to determine on their own what other compensation practices may be
allowed. In each case, institutions become aware of any regulatory misinterpretation or noncompliance only when the Department informs them of such.

Students, institutional employees, and the Department need a resolution to this ambiguity. Institutions have legitimate reasons under common employment practices to compensate their best employees on merit, regardless of the number of students they enroll.

Quite simply, good employees that are not recognized are hard to retain. Institutions need clarity about what appropriate compensation increases to financial aid and admission employees or their supervisors are appropriate. We thus believe that additional clarifications by the Department in this area will benefit both the Title IV programs and institutions.

And just briefly on the subject of verification and state authorization. We also look forward to learning more about the Department's concerns with the verification of information on the student aid application and state authorization as a component of institutional eligibility. While
exploring the topic of state authorization, we hope you will keep in mind the flexibility needed for innovative, accredited distance education institutions who serve students in multiple states.

And, again, I appreciate the opportunity to speak today on behalf of Capella and hope that the Department will consider the views of non-traditional students and institutions during its next round of negotiated rulemaking.

Thank you.

MR. MADZELAN: Thank you.

Ronald Blumenthal, Kaplan Higher Education.

MR. BLUMENTHAL: Good morning. My name is Ronald Blumenthal. I'm a Senior Vice President of Kaplan Higher Education. Kaplan Higher Education is the largest division of Kaplan, Inc., a subsidiary of the Washington Post Company.

The Higher Education Division serves some 100,000 students at more than 70 on-ground campuses and online through Kaplan University, which includes the nation's only completely online law school. Our students range from individuals enrolled in diploma-allied health programs to
classroom teachers pursuing master's degrees and business professionals seeking MBAs and law degrees. Most of our students are women, many are single working parents. What they all have in common is a need for education and training that will help them advance economically and courses that have the scheduling flexibility and personal attention that they require.

I am here today to speak on behalf of Kaplan with a perspective that goes back to Kaplan's roots in a test preparation company. We have an interest in the upcoming negotiated rulemaking that will deal with foreign schools, including the changes mandated by the Higher Education Opportunity Act, Public Law 110-315.

Kaplan began as a test preparation company, and for more than 30 years has been preparing graduates of foreign medical schools to take the high stakes test that determine their residency prospects. Among the thousands of students whom Kaplan prepares each year are U.S. citizens who have gone abroad to pursue their medical education.

When I first joined Kaplan in 1974, it was
with a test prep center in Dallas, Texas, where I had my first interactions with U.S. citizens who attended medical school in Mexico. In 1980, we were asked by a medical school in Tampico, Mexico, to send materials there to prepare U.S. graduates for the U.S. test, which was then given by the Education Commission for Foreign Medical Graduates, or ECFMG. Stanley Kaplan refused to send his materials to other countries, but did agree to open a center in McAllen, Texas, near the border with Mexico, to prepare nearly 100 students for the U.S. test.

By 1997, I was with Kaplan in New York City, and we had acquired the National Medical School Review, which had a contract with Ross University in Dominica to fly in Kaplan faculty to prepare their U.S. graduates for the U.S. MLE. I went to assess the school and the program to determine the continuing needs at that time.

Today, U.S. citizens enrolled in Kaplan programs to prepare for the U.S. MLE have medical degrees from schools in the Caribbean, Ireland, Hungary, Poland, the Czech Republic, and the Middle East. And each year, more than 1,000 Indian-
American students return to India to enroll in medical school.

Kaplan test preparation has various U.S. MLE preparation options ranging from live instruction in seven North American cities to guided study in test preparation centers, to completely online preparation done largely by each student on his or her own. U.S. students or graduates of foreign medical schools opt to use all methods of delivery, while most foreign students choose live preparation or guided study.

Foreign medical schools play a key role in helping to ease the shortage of primary care physicians across our country. Kaplan will continue to play an important role in getting graduates ready for the U.S. MLE. Some 44 percent of medical school graduates in the U.S. use our test preparation products, and a significant percent of graduates around the world do so as well.

Kaplan's decades of experience with graduates of foreign medical schools, including U.S. citizens, would be valuable in the upcoming negotiated rulemaking. And we look forward to
being of service as you move forward with those plans.

Thank you again for having us.

MR. MADZELAN: Thank you.

Jose Campazano, DeVry University.

MR. CAMPAZANO: Good morning everyone. My name is Jose Campazano, and I am a--I am from Houston, Texas, and I am attending DeVry University at the main Houston campus.

I am the middle child of a family of five. My oldest brother never graduated high school. My other brother went to college, but never actually finished it. I have a twin brother, and he only has a certificate as a pharmacist because he has a family and he has no time for college.

Being the first one in my family to go to college and want to graduate means a lot to me. My family has supported my decision to go to college 100 percent.

The high school where I graduated from was Eisenhower High. When I started high school, there were almost 1,000 students enrolled, but come graduation only 400 of those graduated.

Honestly, in high school, I used to
associate myself with the wrong crowd. The people who I called my friends liked to get into mischief. Even though I was tempted to do the same as my friends, I knew I wanted to make something out of my life and that's why I decided to go to college.

My decision for choosing DeVry sparked from my interest of studying from the tour that I was given of DeVry. I have always enjoyed engineering. And after I saw what DeVry had to offer and how they would help me learn in that field, I knew their computer engineering program was for me.

To be honest, when I first started looking at colleges, I was looking for a college with a big social scene. But I knew if I was to choose a serious college that best suited me, I would have to push my social life aside.

As I looked at colleges, a call from an admissions advisor from DeVry is what focused my attentions toward them. First of all, I'm a student that likes when teachers pay attention to them and show concern about their grades. This is one of the many things that DeVry offered me. I also like being in small class environments because
that makes me feel like there's a large amount of participation from the students, something a large university also could not boast about.

I was expecting to go to a college for four years. In reality, some students don't even graduate in six. But I found that DeVry could give me something that I wasn't even expecting or even looking for. DeVry had offered me to graduate in three, three and a half years tops, even as early--even earlier if I was up to the challenge of taking more credit hours.

DeVry is a decision that I do not regret at all. I have been attending DeVry for a year now and I have enjoyed every minute of it. When I first started there, I was fresh out of high school and unemployed.

I've always been very good at math, so I put that to good use at DeVry. The basic math courses at DeVry are self-paced, and I'm not boasting, but I was able to finish my math course early. My math instructor recommended me to work as a math tutor when I completed my math course. So, not only am I a student at DeVry, but I am also a mentor to those students who do not--who do not
have an understanding of math.

Now, I'm not saying I do not have my flaws because I do. I'm not the best writer in the world. Writing is a subject that I'm not good at, and my classes have helped me become a better writer. People are not going to like all their classes, so me actually passing my writing class is an accomplishment.

Free tutoring is something that everybody can benefit in any campus. That is how I bettered my own writing ability. I suppose I should also talk about the classes that are in my major, aside from the generic core classes.

My professors do not only have the knowledge for my career, but they are also trained to have experience in working in that field. Not only have my instructors shown concern about their students learning the curriculum, but also introduced speakers to talk about the work environment of our careers. One favorite characteristic of my professors is that they—if there are others that can help me in my course, my professor will set up a time they can spend individually with me or with any other student that
requires help.

Not only does DeVry have great teachers, they also have a great Career Service Center. I have not utilized Career Services, but I have seen firsthand what they are capable of doing. I've seen Career Service help students find jobs.

Every semester they provide a Career Fair Week. Career Fair Week is a week where students and alumni can sharpen their resumes, interviewing skills, and meet potential employers.

It seems as if it was just yesterday when I was in high school—high school student, and now I'm a sophomore in college. I have enjoyed my classes, my instructors, and my classmates. Above all, I can't wait to get my degree so I can say I graduated and got a job thanks to DeVry University.

Thank you for your time.

MR. MADZELAN: Thank you.

Margaret Owens, University of Phoenix.

MS. OWENS: Good morning everyone. To the panel, gentlemen on the roster, and to all the distinguished guests, I am Margaret Boyd Owens and I am an enthusiastic, dedicated member and student of the University of Phoenix family. To be honest,
as I stand here, while my colleagues who have already echoed words, I do not want to bore you with the same sentiments, but I must give some expressions of my gratitude of being a student currently in the MBA program at the University of Phoenix here in Little Rock, Arkansas.

Currently I am enrolled as an MBA student pursuing my master’s in business administration. I currently am an instructor at the Phillips Community College in DeWitt, where I am an English and speech instructor.

I chose the University of Phoenix for various reasons. Number one, because of the attentive staff, the attitude, as well as the atmosphere. In addition to that, due to the fact that the staff made themselves available for me. I not only speak for myself, but I also come here as an echo for other colleagues, some of my dear friends who are in the back as well, and individuals from Pine Bluff, Little Rock, Benton, and various parts of the state.

In making the selection to enroll at University of Phoenix, I will be honest with you. There was one night I was grading papers and all of
the sudden this big old thing popped up and said, "University of Phoenix," and I literally deleted it. I don't have time for that. Start grading again, it popped up again. Honestly, I deleted that. I don't have time for that. And I said next week, if it pops up again that must be an omen or a sign from you, God. And guess what? It popped up again.

So with that, I clicked on it that night, Dr. Sullivan. And after that night I cannot forget it, it was a day in January, sir, that I pursued, made contact with the follow-up with Ms. Maryann, my financial advisor, and I also had spoken with an avid staff member named Ms. Alicia. She literally walked me through and invited me with open arms to come to the campus. So I took a 55-mile drive from Stuttgart, or really on the outskirt of Stuttgart called Casscoe, Arkansas. And I drove up and opened up with this warm welcome of the staff of Phoenix saying, "Come on in, sit down, have a cup of coffee, let's talk. What do you really want to do?" And that's what's important to me, when someone asks, "What do you really want to do?"

I walked in with a mission. I walked in
with a message that I did not want to be a statistic of society. I walked in with a vision that if the Lord's will in December I want to finish. And within three months, gentlemen, I shall achieve that goal. But not only for me, but it's for my family, for my husband who will be retiring next year as the Assistant Chief of the Stuttgart Fire Department. Not only that, but for our five children, to let them know that we did not have to be a legacy of project mentality.

Not only that, because I also pursued this because of my colleagues in Chicago, Illinois, and my friends, unfortunately, some of them who are now strung out on crack. I made a difference. I did it for them to say that we all did not have to be in the ghetto. I'm not ashamed from where I have come from, but I want to be a testimony.

In closing, not to detain you because others have kudos about University of Phoenix that you have already heard and treasured, but I wanted to say with these three Ts: team building skills that I have attained as well as utilized; teaching strategies that I have incorporated in my classroom as well; and thirdly, the testimony that I can
leave behind for you, for the panel, that you can pass on to Denver as well as to Philadelphia.

So I can give back, as I take my flight back to Chicago, Illinois, as a testimony to tell my colleagues, my friends who didn't make it, who fell through the cracks, that if you will give it an opportunity, pull your head up, so you can proudly say, as our commercials have now been boasting across the screen, I am a Phoenix. I am a testimony.

MR. MADZELAN: Thank you.

Cheryl Smith? University of Phoenix.

MS. CHERYL SMITH: Good morning. To the panel, dignitaries, to all of you all. It's a great pleasure that Alicia asked me to speak and also I'm sure that Autumn and Ms. Wahved [ph.] and Dr. Sullivan had a part, and thank you all for giving me that opportunity. When they asked me, I said--usually I say, "No, let me think about it." I said, "Well, Cheryl, you may never get this opportunity again, so take it." So I took it. So, thank you.

The University of Phoenix has impacted my life greatly by having more confidence and
empowered me to take different avenues to explore
to a higher level. The classes and presentations,
the group meetings prepared me to handle difficult
people. I almost thought I could handle any
situation once I finished the University of
Phoenix. Oh, by the way, I did graduate May of
2008 with my MBA.

The faculty has been so wonderful, it's
hard to express in words. They have offered to
help when needed with assignment questions,
responded back quickly to e-mails and telephone
calls. They have gone beyond the call of duty many
times.

My last three classes were challenges
because I lost the love of my life, my best friend,
my encourager, which was my mother. I felt so
lifeless. I tried to do my assignment and it
seemed almost impossible. I felt that there was no
reason to go on with class. This has been by far
my most difficult time of my life. I could hear my
mother's small voice saying I'll be so glad when
you finish school.

My special thanks goes out to Dr. Craig
Martin, Dr. Karen Hutchins, and Dr. Marc Haynes for
giving me that encouragement to continue working with me and I'm so thankful to them and all my instructors: Ms. Tammy Deaton, Dr. Paul Love [ph.], Dr. Tressa Shavers, Mr. William Wyngaard, Mrs. Han, Mr. Akbar, and Mr. Benoit, and Mr. Paul. My counselors and advisor has been wonderful. Ms. Yvette Palmer, Ms. Rebecca William, I call her Ms. Bec, has been on top of everything by making sure grades and classes were going great.

I did not think it was possible because I had been out of college for 23 years and high school for 27. They are amazing.

The University of Phoenix is my choice when I saw the advertisement about three years before I attended. I told myself this is where I want to go for my graduate degree. The university was convenient, one could keep present job, and classes were entered on one's work schedule. The University of Phoenix has made my dream become a reality. I am forever grateful to God and everyone that made it possible.

The financial challenges were great. I did not have the funds to go back to school. Thanks to the financial institution and my employer
for making the degree attainable. The University of Phoenix has empowered me to continue my education to obtain other dreams to become a nurse and to pursue my doctoral degree. Thanks again to God and everyone who's taken a part in making my dream become a reality. Thank you.

**MR. MADZELAN:** Thank you.

I remember I mentioned earlier that we would allocate 10 minutes to everyone, but you wouldn't use up to your full 10 minutes. Well, that's certainly the case because we have come to the point, on my schedule, where we would be taking a break at 10:30, but that's still about a half an hour from now. So, I think we'll just continue through and still plan to break at 10:30.

And so our next speaker, Rob Glessner, University of Phoenix.

**MR. GLESSNER:** Thank you, gentlemen. I was asked to speak about the MBA program at the University of Phoenix. My name is Rob Glessner.

First, the education gives me a sense of security in a very competitive job market. I gained knowledge and skills that will help me for the rest of my life. I developed the mind of an
entrepreneur when an early class taught me how to start a small business. I applied my skills. Halfway through the program, I helped my son develop a Web-based distribution business. He's still running his modest business in North Carolina while he completes his business degree.

The University of Phoenix teaches leadership by dividing the class into mutually supportive teams. I know that when I select and run a team, the outcome will be excellent.

I'm better at preparing speeches, writing, and time management. I am able to research and organize a solution to solve difficult problems. The University of Phoenix gave me the tools to prepare a business plan for a friend along with a roadmap to help that business prosper. Again, applying what I learned.

The faculty and counselor and advisors were very helpful to me. I needed help adjusting back into school after so many years. Like many adult learners, I have a demanding job during the day, my business is very competitive, and a single sale can take months or even years to close. The University of Phoenix faculty and staff helped
guide me with time management tips and tools that I now use outside of school. My academic counselor helped me structure my schedule to minimize coursework during my peak sales periods, and Alicia scheduled me to take consecutive classes when I got to--into the program and before my next sales period started.

I looked at a lot of different schools before choosing the University of Phoenix in Little Rock. That the University of Phoenix allows a flex schedule that gives a professional, a traveling professional, the ability to manage the workload while still having some classes on campus, which was very important to me.

I know a few co-workers who attended the University of Phoenix at other campuses and I talked with those co-workers. They told of the benefits of the University of Phoenix learning teams and academic lessons. I asked one man if the degree would help him at our company. He said the degree might help a little bit, but the education he received from the University of Phoenix MBA program would help a great deal.

The decisive factor was hearing that the
faculty of the University of Phoenix in Little Rock
was employed in the fields in which they taught.

     Like most people, I had to make choices
with my finances. However, my company paid about
80 percent of the MBA course fees. As a
commissioned sales person, I had to make choices to
spend time studying versus preparing and working on
projects at work. I cannot calculate the
commission dollars that I traded to gain my MBA,
but I know my investment of time at the University
of Phoenix will pay off at work with better results
in the same amount of time. Thank you.

     MR. MADZELAN: Thank you.

     Kocysha White? Please help me out with
the pronunciation.

     MS. WHITE: Good morning. My name is
Kocysha White, with the University of Phoenix.

     The University of Phoenix has impacted my
life by preparing me for a prominent career in the
criminal justice field. Their signature mark
learning teams, although not one of my favorites,
actually taught me a lot about humility, how to
deal with different personalities, learning and
communication styles, how to delegate tasks, how to
accept other ways of completing a task, increasing
listening skills, and applying previously learned
critical--how to accept other ways of completing a
task, increasing listening skills, and applying
previously learned critical thinking skills.

The use of the APA format has also
prepared me for the master's program that I'm
currently enrolled with at another university. In
addition, the University of Phoenix helped to
create networking opportunities for future
educational and career opportunities.

The faculty was very encouraging and firm
in their expectations of what was expected from us
as students. In several classes feedback was
consistent and constructive. Several faculty
members were extremely patient and acted as
mediators in learning team disagreements. They
also helped us by introducing us to individuals in
the criminal justice field who took the time to
visit and share their career experiences. And I
have to add that it was from one of these visits
that I am currently employed with the Arkansas
Department of Corrections.

In addition, they challenged us mentally,
professionally, and academically through group 
discussions and PowerPoint presentations. My 
academic advisor, Ms. Yvette Palmer, was very 
encouraging throughout my time at UOP. She was 
professionally caring, always addressed me by name, 
and often sent e-mails or called to check on how I 
was doing with my time at UOP. 

After receiving my associate's degree from 
Remington, I initially decided to go to another 
university to obtain my bachelor's. However, a UOP 
representative called to inform me they had a new 
criminal justice program on ground. This was my 
intended major, so I took the offer and I was 
interested in the fact of the evening classes that 
they had available. 

Thankfully, no financial challenges were 
faced while gaining my career. Online resources 
were especially appreciated because I did not have 
to worry about purchasing textbooks. The financial 
advisors were efficient in reminding us when to 
update our FAFSA applications. 

My time at University of Phoenix is very 
appreciative and I am grateful for the staff that 
is there, and thank you all.
MR. MADZELAN: Thank you.

Jackie Brubaker, Mid-South Community College.

MS. BRUBAKER: Good morning. I'm Jackie Brubaker with Mid-South Community College in West Memphis, Arkansas. I came here probably rather ill-prepared. This is my first opportunity that I've taken to participate in the negotiated rulemaking process. I decided at this point in my life, I'm old enough to be one of those older people who go to represent my school in my state, so I thought I'd come, not realizing I was going to speak.

But, you know, I never miss an opportunity to get up and talk to you about the education and the value of it and what I think may be being done well or not so well. And I figured if I'm going to sit back and complain about it, I better speak because, otherwise, I don't have grounds to complain. So that is why I am here.

You watch me, I'll probably be cautious so my voice--my mouth won't take away and go somewhere that it shouldn't. It seems to do that. Okay?

I've reviewed the Higher Education
Opportunity Act, but probably not as well as I should be because when I do two roles at my school, Financial Aid Director and I'm also the Director of HR. You know, coming from a two-year public school, you kind of wear a number of hats, so I only looked at those items that were of particular attention to me and to my students.

We do not have a student loan program at my school. We had a default rate that was so high, we almost lost everything we had, so we discontinued that program probably 15 years before I came. And so all I'm dealing with basically are grant programs and the work study programs, campus-based aid as well as Pell Grants. So I looked closely at those.

When it comes to the Pell Grant, one of our chief complaints is that the process seems to be too complicated or we do not understand how we need to apply. We've done everything besides knock on doors individually to try to make sure people are aware that there is a process out there to help them come to school. We would love to have the opportunity for more of that information to be made public so that they realized it was an easier
But then when we try to tell them, oh, it's so easy, just fill out this form, and they think, all this information. Well, look at my students. I'm from the Delta of Arkansas. I live on the banks of the Mississippi River. My students are first generation students who have not had an example set to them about going to school, getting up and going to work. So for me to expect them to come and act like a regular--not a regular, I don't want to say that word, but as some of our students we expect to at a four-year university, they do not have the same background to get them to that point. So that's what we're trying to help them become more educated. They're in a very low economic area, unemployment's high. We have a 50-50 percent racial--but it has nothing to do with that. It's just that the people have not developed in proportion to the other part of the state. That's the best way I can say that.

Well, when they see the FAFSA, they get confused and they say, well, can't you just tell me based on my income? No, I can't because the FAFSA is not a simple process based on how old you are,
how much income you have, how many in the family
are working, how many in the household. Household?
Well, I don't know, which day? Because my
household changes. I don't have a household with
Momma and Daddy and two brothers and a sister.
That's not my household. Most of the time I'm
living with Auntie or Grandma because Momma and
Dad, one of them is in prison and the other one may
be an addict or she's gone off with somebody else
and she won't give me any time or attention and I
can't get anything out of her. Or she's remarried,
she won't let me live in the house with her, so I'm
living with Grandma. And how am I supposed to get
Mom's income information because she refuses to
give it to me?
The family situation that's represented on
the financial aid application does not fit my
students necessarily for a large part.

Then you come into income. How much
income did you make? Well, I don't know. Most of
it is under the table because I'm only making a few
cash wages, enough until I can buy me some
groceries this week, or, number one, get enough I
can work. I'm using a number of the state aid
programs to have some groceries, to have some housing, or I'm living with a girlfriend or I'm living with--in my car. We have a number of those kind of situations with our students. So we try to help them and want them to get an education because they're excited about the opportunity. And the only income they have while they come to school is whatever remains from their Pell Grant check or maybe if they get some of the benefits of a state aid program, but most of those are only tailored to recent graduates of high school, though our state has been active in changing that. We're going to make more of the programs available for those students who are non-traditional. Most of them have only benefited those recent graduates.

So, they come to school, they have a Pell Grant, maybe an SEOG grant, and I hope to give them a work study opportunity because they love that opportunity. It's the best job they can get in town. But I'm limited because my work study dollars are so small and, hopefully, the work study program will grow. SEOG, I mean, that's a fine program, but if I can put them to work so that I can then give them an opportunity to work on the
campus. We'll work around their schedule, okay, but give them an opportunity to learn work ethics and taking responsibility and going the extra step forward, that's what we want to see as a benefit to the work study program. It may be something that are very worthwhile for our students because, again, sometimes they just can't get a job unless it's working at the Burger King, which changes their schedule and, therefore, they have to quit school because, oh, they changed my new job. If I'm going to have a job which pays my bills, I can't come to school anymore. They don't work with them.

A lot of factors cause detriment to my students and then their goals. They have a very real tendency to come to school strong and eager right out of high school and if they have any hint of failure that first semester at school, then they'll drop down to part-time and work because Momma says you've got to make your car payment if you're going to stay here. So they go and get a job, then their classes start falling behind and then they quit school. They'll work two jobs and then they'll come back and say I've got to get back
in school, so then they come back to me maybe a year later. I don't do student loans for that purpose because I do not have the traditional student who goes full time, four semesters, eight semesters in a row to complete a degree. That is just not the kind of student on our campus.

We're looking for an opportunity to provide education to these students, but we'll have to come to them on their terms. We're trying to--we initiate all the SAP policies that have been designated. We have been harder aligned with that in the last seven years since I've been there in making them realize--in making them buy back into it by taking that--working that semester and getting themselves back in the--you know, and paying for the classes themselves to get themselves back approved for satisfactory--to be eligible for the programs because they've met satisfactory academic progress.

We try to put some responsibility back on their shoulders so they learn some of the benefits, that you don't get the education for free, but, yes, it is here to back you up. Whenever you decide you want to be serious, we are there for
you. So, we'll put those in place.

But our biggest goal is to try to educate these students so that they can get from where they are to a better place. We've heard several of the students from the University of Phoenix talk about how their schedules work, how these schools have got programs that help them pull themselves up, and that's what we want to do for our students. They might be just a little further down than these students were because they don't have maybe the first education, but they're not to be left behind. Okay? They're not to be left behind. We've got to find some way to meet those needs.

I appreciate the two Pells in one year. Maybe that way we can encourage them so that they don't think I've got to quit in the summer, and then they get off track and they lose their progress. You know, you have--I would say that 90 percent of my students have to take a developmental class and probably 80 percent of those are math classes. So, man, I need you at my campus to come over and work with my students maybe.

But we have all sorts of programs. And if they start building up the momentum, the momentum,
and then all of a sudden, bam, no money, you can't come to school this summer. I think--applaud the government for having that year-round Pell Grant process. I think it's a wonderful thing.

I like--I don't have any problems maintaining satisfactory academic progress and keeping the integrity in all the programs that we do. I resent the fact that it seemed like the entire financial aid population was penalized for the acts of a few people in the financial aid profession who were not ethical in some of their dealings with lenders and whatever it might have been. And I hate the fact that all of us seem to get egg on our face from that because so many--so many--why do I need a code of ethics? I'm sorry, I am ethical and I try to make everything aboveboard and clear and fair for me and my students and the programs that I administer, and I felt that it was not fair to me to have been put--come up with a code of ethics. Well, I have one and it's personal. My school can cling to it, but I don't think that you punish everybody for the sins of a few. Boy, have I spoken more than I should have.

The retention and completion goals that
you have listed in there, we are trying our best. The best way that we've found in retaining our students is basically giving them one-on-one attention and, again, as many of the students from the University of Phoenix or DeVry or some of the other schools testified, they had a mentor or someone at that school who they could always go to and count on for that support. I don't know what the Department of Education can do about that, but it's definitely something we as a school need to listen to because the ones who seem to succeed--since, in my area there's so few who are self-motivated--get the motivation from someone on our campus. And yet, again, as I say, I'm wearing two big hats at my school. For me to have the time to be that personal person, I have very little time to do that. If there's any way that we can find ways to help--to work on those efforts--but, again, sometimes it's a one-on-one effort to maintain and retain our students and get them through graduation, but it definitely is a great goal.

There are so many hurdles my students have to pass through: the economic issues, the family issues, no support of any kind. We all feel
strongly about an education, and we offer not only just the associate degrees to get them onto the four-year schools, but we also have technical degrees. So we try to find them sometimes--just get them educated so they can have a well-paying job perhaps. Any education is beneficial to them, and not just them and not just my community, but to the society as a whole. And anything I can do on their behalf and any support I can give to the Department, I appreciate that.

I like several of the things you've done--the Department has done, and I appreciate those programs. Thank you for your time.

**MR. MADZELAN:** Thank you.


**MR. BRUBAKER:** My name is Herb Brubaker. I'm with First Security Bank. I run their Student Loan Program. I've been in financial aid since 1974 as a director of financial aid at a number of colleges, and the banking side for the last number of years. And I wanted to speak to you this morning on an observation that I've had in my current role, which is one of the things that we do is help students and families completing the FAFSA,
and wanted to talk about some of the things that--that are relative to verification as far as that process is concerned.

As we've heard this morning from a lot of students, financial aid is working. It is opening doors for students, it's changing lives. And I think that's--that's part of the role of what was seen in 1965 as part of the Higher--Higher Education Act being authorized to begin with, that there was a group of people in this society who could benefit from higher education if they could only afford it.

In your role as the Department of Education, you are the overseer to make sure that we as the stewards of those federal funds are--are going to the right places, to the right people, and--and meeting those needs. And it's certainly a challenge for you as--as we continue to expand these programs and see the--the rules change for you to be fair-handed about making sure that you, again, are the overseers and we're proper stewards of those funds. And as this new administration is coming in with new ideas, it's certainly a challenge for you to make sure that the--the
history of these programs continues to make progress and continues to open doors for students.

Regarding verification, one of the things that I've--that I've talked to parents and students about almost on a daily basis as they come to me and say how do I get a student loan, and I say, well, have you completed the Free Application for Federal Student Aid? What is that? And so we go through that process of explaining what that--that document is and how that data element--those data elements relate to determining a family's eligibility for not only student loans, but certainly for all the other programs, state and federal, that use that dataset to determine eligibility.

It is a part of that, and you hear this sentiment everywhere you go, it's a complicated process. Certainly it is. And we encourage--you know, we--we help families to understand those data elements and to make sure that they are collecting the right data so that it is not a problem when--when those applications are processed. And so part of the challenge, obviously, is trying to--we hear the word "simplification" today, trying to simplify
that process and make it easier for families to apply for financial aid.

You know, verification entered the life of the financial aid office many years ago. I remember when it came along, and it was because there were problems. There was this thought process within the administration back then that dollars were not going to the right students, that some students were getting too many dollars and they were not eligible for those dollars, and so we instituted a verification process.

In part of that process we saw that, you know, 33 percent of all applications were selected with a plethora of information collected in that--in that process. You know, most of the--if you look at the data elements that are collected in verification, most of those data elements are, in fact, re-reported, self-reported data elements. There are only a few other types of documentations that are actually collected in that process that are not self-reported, for example, the income tax return when it's collected as a part of that verification process.

And so as you're looking at simplification
of verification, a close examination, I think, needs to be made of what data elements are really being asked for in that process. And if they're simply being re-reported, self-reported data elements, that's probably not going to get you a whole lot of new information or actually clarify for certain that that information is correct. You need to be looking at different third-party neutral collection places to get this data.

Simplification and limiting of those data elements is part of what I think makes sense. You know, in some regards—and I look back on my experience in the schools—I knew when an application came through, probably better than the Department did, by some random selection process or some predictable data element set that says maybe this information isn't correct, I could tell by looking at applications of inconsistencies that didn't make sense probably better than some other process. So one of the ideas that I'd like to proffer is that you might consider as a verification process, allowing the schools more professional judgment rather than preselecting all the folks that need to be verified.
The school has a better ability to be the steward of making sure that those dollars are going to the right people rather than--than some, again, preconceived notion of somebody inside the Beltway thinking this is the best way to do business.

And the last thing, basically for years we've had this concept that, you know, the easiest part of this thing would be if we could just take the application information, particularly the IRS information, and match that to the IRS data files. And while on the Department of Education side there is authorization to do that, as you well know, the IRS on the Treasury side has not approved that and I don't think it'll happen in my lifetime, frankly. But--so, you know, just because we talk about that, that's not necessarily going to happen. So the challenge for you is to find other ways to collect that data from, again, neutral third parties.

I appreciate all the new things that the Department is doing with the exception of possibly putting me out of business.

[Laughter.]

MR. BRUBAKER: But, you know, I figure as big as the Department is going to become, maybe
there's a job on--on the Dark Side for me over there.

[Laughter.]

MR. MADZELAN: Thanks, Herb. We would welcome you to the Dark Side.

[Laughter.]

MR. MADZELAN: Jim Purcell? Arkansas Department of Education.

MR. PURCELL: Thanks for being here.

Arkansas used to be the place where people would go West. In fact, it used to be the West. I sort of want to start my presentation, which is really general remarks about the American Dream and what Horace Greeley used to say. He used to say, "Go West, young man!" on advising folks how to get to the American Dream. But if he was alive today, I think he would basically just say, "Go to college!" Because, you know, back then to go West just required a little guts, a gun, and a backpack, but to go to college today requires much more: academic preparation, financial support. And I really think that the policies of the Department of Education should be about helping people with the American Dream when they need the help the most.
And I think currently the help provided falls a little short.

When fully funded in the Fiscal Year 1975, Pell Grants, the Foundation Grant Program, provided more than 85 percent of the cost of attendance, tuition, room and board, books, and other expenses at a typical public four-year institution. By 2000, the maximum Pell Grant provided only 40 percent of the cost of attendance at a public four-year institution. The American Dream becomes further and further away from giving people an opportunity to attain.

The Pell Grant spending, of course, during that time increased a lot, 691 percent, and we're appreciative. But during that same time, federal loans increased 2,000 percent since 1975. The agreement or the offer to help with the American Dream changed. I myself am 50. I completed my payment of federal loans 3 years ago at 47. I'm thankful, but it was a painful process.

It is human nature really to ask what does the future hold? And I think we just need to talk about what we know and how it can help us. We know that in order to talk about the future we must be
visionaries and that our past performance is not indicative of our future successes. And we know that the present really can't get in the way for the future. And our President recently said that in a speech, he said, "I know there are some who believe that we can only handle one challenge at a time, but they forget that Lincoln helped lay down the Trans-Continental Railroad, passed the Homestead Act, and created the National Academy of Sciences in the midst of a civil war. Likewise, President Roosevelt didn't have the luxury of choosing between ending a depression and fighting a war. President Kennedy didn't have the luxury of choosing between civil rights and sending us to the moon. And we don't have the luxury of choosing between getting our economy moving now and rebuilding it over the long term." And that's what education is, is rebuilding the future over the long term.

So, what do we know that will help us in shaping our future? We know that there are fewer than a dozen states that claim a per capita income of over $40,000 a year and about the same number of states can claim that 30 percent of their adults
have a college degree. We also know that a state's per capita income is highly correlated with the share of adults that have a bachelor's degree. So the more bachelor's degrees, the more higher education in general, the higher per capita income.

In Arkansas, we have too few degrees, only 19 percent, and that puts us next to next to last, and thank God for Mississippi and West Virginia. And we also bear witness to some equally disturbing trends that relate to education obtainment. Almost 60 percent--and this is a Census number--of Arkansas grandparents are responsible for their grandchildren. We rank second in the nation. More than one in four Arkansas children live below the poverty level. We rank third in that national statistic. And almost one in five Arkansans, including both adults and children, live below the poverty level for a rank of fourth in the nation. And just half of Arkansas families have both the husband and wife in the labor force to rank from the bottom sixth nationally. So it's no surprise that Arkansas' median household income ranks 49th in the nation. You can sort of see the connection.

On a different note, we do know that the
higher education system is one of the few places where those who can live in poverty and those who occupy the middle class and the wealthy can intersect regularly.

Recently our governor, Mike Beebe, sponsored a summit of education and economic development with private and public sector leaders in this state, and he really talked about higher education and institutions being stewards of place and economic engines. So how do we become stewards of place and economic engines? First, we must know—we must focus on actions that promote concepts of speed to market and close to customer. In the modern economy they say businesses have to do that. That's why Wal-Mart has succeeded well, and we can perhaps keep an eye on that and use the lessons learned in business in the modern economy to address what we do in higher education.

So we should do actions that increase the number of degrees produced at the speed at which they're awarded. We should have actions that produce degrees in high-demand programs needed for a knowledge-based economy, and actions that help students complete degrees. We simply cannot
conduct business as we have in the past.

One population, I think, that we've missed out on and really--let me address the whole issue of student loans. In Arkansas, in 2000, we had $140 million in student loans for students. This year it's $400 million. So think about in 9 years, we went from borrowing $140 million to $400 million. And not all those folks that have those loans are going to graduate. That's a great burden. And it's not just a burden on the individual, but it's a burden on a state's economy.

As we seek to educate our youth, we need to be able to provide them with some educational opportunities. Arkansas has got a new scholarship, the academic challenge with the lottery coming in, which will help, but the federal government, if you can help us give kids access to the American Dream, we would appreciate it.

But not just kids, but adults. I'm really convinced that our largest untapped population of graduates is not 18 years old, but the adults with some college experience and no degree. We did a study when I worked in Oklahoma, students in the last 10 years that had more than 2-1/2 years of
college was 69,000. In Arkansas, we did a study the last 5 years and it was about 28,000. There's a large, untapped population of workers that we could, if—with proper incentives, get them back into the classroom and graduated and help with producing an economy that America can be proud of.

Of course when we do outreach to adults, we find out that financial aid is very important. Life happened, the degree didn't, and they're going to need extra support and financial aid. And perhaps the FAFSA criteria sort of inhibit them, some because they're part-time students and better support for part-time students would help.

So I hope that we can act and I'll give you some suggestions. We should provide better financial aid for part-time students and working poor adults; target the Pell Grant to student's basic living costs rather than tuition; adjust Pell Grants to keep pace with inflation; and really simplifying the Federal Financial Aid Applications.

We love the FAFSA here in Arkansas. In order to get the lottery scholarship coming up we're requiring everybody to fill out the FAFSA. The easier you make it, the less painful it would
be for our citizens to benefit from the local state scholarships, but we want them to seek your help at the same time they seek help from us.

Also, if you could help strengthen the role of statewide entities, help us by granting, you know, funds for planning and really identifying what the workforce needs are for our individual states, help us reinforce policy-making roles that we have, help us to really understand really how to invest in the new economies, in the emerging economies, and invest in science and technology, and, in some ways, we need another national emphasis on higher education such as was done back in the National Defense Education Act in 1958. Of course, we had a crisis then, the satellite, the Russian Sputnik popped up in the sky and we ran for cover, or we ran for education. Maybe responding to this economic recession is close enough of a crisis for us to promote higher education as a means of increasing technological capabilities and the economic stability of the United States.

And in closing, I want to talk about how education has done that for America before. At the end of World War II, all our veterans came back and
the United States invested at that time $1.9 billion annually to the education of those veterans. And that generation has been considered "the greatest generation." And I'm convinced it's not necessarily that—and they did a great war and they fought for a great cause, but I think that we also gave them the skills necessary to make the future of America the greatest generation possible by having those skill sets.

So your efforts, I think, can help us realize what the American Dream is about and help all of us have a good future. So our future is already ours to determine and the choices that you help make in policies and regulations will make a difference.

Thank you for your time.

MR. MADZELAN: Thank you.

Lori Jordan, University of Phoenix.

MS. JORDAN: Hi. I'm Lori Jordan, and I'm a graduate—recent graduate—of University of Phoenix of Little Rock campus.

I had dreamed of going to college for many years. And I was a single mom with two children and, so it just didn't seem possible for me because
most universities expect you to attend several
nights a week and I just couldn't imagine working
all day long and leaving my children again at
night. It was the principle. I needed to be their
mother and I needed to be there.

When I first started University of
Phoenix, the reason why I went there was because I
had the opportunity to attend something called
FlexNet. FlexNet was where each class was five
weeks and I went twice a month to class. The rest
of the time I did everything online, so it gave me
the accountability of being there in person, but it
also gave me the opportunity to be at home with my
kids and attend college.

One of the things when I went back to
school I was really concerned about, I had not been
the most devoted student in high school. I tended
to take it very lightly. I didn't attend a lot,
actually, and I wanted to make sure that when I
went to college this time, and took the opportunity
to go to college, that I did an exceptional job.
And I really feel like University of Phoenix gave
me that opportunity.

The first few classes that I went to were
actually spent learning how to function within UOP's atmosphere. I learned how to do online forms. I learned how to present presentations and put them together. I learned how to do cite papers and proper documentations for everything that I did. It was geared to encourage students like me that had not been in college or had not been to school in a long time. And it's kind of intimidating walking in there that first night and thinking, okay, it's been 22 years since I've sat behind a desk, oh, my gosh, what am I going to do with this? But these teachers and the people in the office were so geared to encourage you, to help you succeed if you put forth the effort. I saw so many instructors work with students that, unfortunately, did not have the skill level that I had, but worked with them through so many classes the first six months, trying to get them to a point that they could succeed in college, and some of them were able to go on and make it and some of them were not. But I was so impressed with the dedication that I saw from my instructors. And I knew that when I went to them and I needed help or assistance, they were there for me the same way.
Some of my instructors at UOP were just amazing. One of the persons that spoke earlier mentioned Mr. Cross in Algebra. I'm a horrible math person; cannot do it. I made an A in Algebra I and a B in Algebra II, and it was because of Mr. Cross' study sessions. Every week he had us come in, he went over every detail of every assignment, and, because of that, I was not able to just pass math, I was able to do extremely well in it.

Other instructors were Paul Levin, Economics. He was very tough. The second week I had in his class I would sit in front of my computer when he sent my assignment back, and I cried. I thought I cannot do this. But he absolutely challenged me to rise to a higher level in what I was able to do in college and I ended up making an A in that class. And I also developed a true love for economics, which I study on my own to this day.

I also had teachers like Mary Sue Farmer. And if any of you know her, she's just amazing. It doesn't matter what class she teaches, you're going to go in there and you're going to learn a lot and
you're going to enjoy every moment that you're there.

I also had an instructor by the name of Dean Blevins that taught a research class that's basically statistics, which is very mathematical, as you all know. And again, I walked out of both of those classes with an A. And I couldn't have done it without those instructors.

There are other people at UOP that--you know, the list could go on and on, and you've heard so many of us speak, but Autumn and John in the office and Alicia. I've had so many student advisors and financial aid officers that have just made every moment of this transition and going into college and getting all the way through it so simple for me and attainable.

My main reason for attending UOP over other universities was basically the fact that it was more flexible, it was geared to adult students. I had other obligations in life. I had a full-time job, I had children at home. And to me, why I wanted an education, that had to be my first priority was making sure that the home and the children were taken care of, and UOP allowed me to
do that because of their flexible schedules.

The overall cost of UOP, honestly, was more and it's something that I looked at very closely when I started attending college. I actually sat down in my office with my boss. It was kind of funny. We got this white board and we sat down and we looked at the cost of going to a regular university versus UOP and we mapped it out, how long would it take me through a regular university? Well, if I had to attend part time, it'd be about eight years versus I would be able to complete UOP in four. And we also looked at being able to raise my income level at that period of time once I graduated. And so it actually balanced out in the end even though the actual cost was more. In the end, it balanced out because my earning potential went up. And honestly, that wasn't even true. I didn't even have to wait four years because one of the things I developed at UOP was confidence. I--there were jobs I would--used to look at and I would think I would love to apply for this, but I would not have the confidence to do it even if I had the skill set to do it. Once I had been in UOP for a couple of years, I went out
and I applied for those jobs. Even if they said they required a four-year degree, I felt confident in my skill level to go I can do this. I may not have my degree completed, but I know how to do this, and here's what I've done in college that proves I can as well, not just my work history. And I actually took some jobs that I would never thought I would have even applied for before.

One of the things I'd also like to mention is that financial advisors at UOP--going back to college is intimidating. There's a lot of paperwork involved. I recently had to register my daughter for the last two years for college and I can tell you, applying for financial aid through local universities and applying for her admissions to local universities has been nothing like it was at UOP. I was surprised at the struggle it was for my 18--19-year-old daughter to try to get into college and the amount that they expected her to handle on her own, whereas at UOP so much of it was handled for me. I simply filled out a form, turned it into my financial advisors, and it was taken care of. And the same thing with registering for school or keeping track of my classes. They lined
it out for me. I told them what I needed and they
made sure it happened. That is not true in a
regular university. I don't know that I would have
had the courage to stick it out the first year if
it had not been so simplified for me. I might have
been intimidated by the process and backed off.

And the last note I'd like to add is this
week--last weekend, I attended my graduation
commencement ceremony. And a young woman that--I
guess we're not so young anymore--a woman I had
gone to high school with, she took the other road
in life. I didn't attend school well and I wasn't
a great student, but she went down the roads of
drugs and alcohol abuse. And I recently ran into
her and she begged to come to my graduation. After
attending, she told me when she left for Missouri
last night that she wanted to attend the University
of Phoenix and turn her life around because if I
could do it, so should she.

Thank you.

MR. MADZELAN: Thank you.

Charles Camp, Remington College. We added
one while you weren't looking. I have it right
here. This is the last.
MR. CAMP: Good morning. My name is Charles Camp. I'm the General Counsel for Remington College and I want to address a few issues that I deal with on a daily basis.

First of all, the definition of a high school diploma. I'm very appreciative that this issue is being looked at because every day we have students that apply that we turn down because once we investigate the source of their high school diploma and we determine that they had to do very little to achieve that, and I don't know how many letters I've received from these institutions, threatening to sue me and sue the company and to, you know, demand that we accept our students, the heartbreak of telling a student that we can't accept your diploma because going to school one week and taking an open book test and receiving a high school diploma is not something we believe is acceptable. And there are numerous institutions out there that offer these types of high school diplomas. We need to establish a specific criteria that--by which all of--of these institutions are judged so that we don't face the continual issue and debate over whether or not someone's high
school diploma is such to qualify them for admission and thus ultimately receive Title IV aid.

Oftentimes, you know, they'll come back and say, well, this other institution has said that they'll accept, you know, my diploma, but I'd prefer to come here. And it's very difficult for us to explain to them the obligations we have to ensure that the students we admit are capable of doing the work, and as such we're somewhat gatekeepers over the Title IV funds in this area. So I applaud your efforts there. And it'd be wonderful to have an established criteria that was evenly applied so that we could actually make some efforts to educate people out in the community, through public service and other ways, as to what is an acceptable amount of work if you don't graduate from a traditional high school.

There are certain accreditation agencies that accredit high schools, that do a very good job. And we know if they're accredited by those that it is a substantive curriculum and one that does adequately prepare them for college. So, it would be most helpful if we could get more clarity there.
Another issue that I deal with frequently is the Incentive Compensation Rules, and not only from having to review and design compensation plans for admission representatives, but the numerous threats that I receive from plaintiffs' lawyers on a yearly basis about how they're going to sue our institution over our incentive comp plan and how it creates false claims, et cetera. And the problem there is just simply that we need more clarity.

We need something where you don't—if one employee does a better job at doing their job and ends up having more students attend the institution, we need the ability to recognize that and know for certain that we're not violating a prohibition in that compensation plan. You know, a plan that essentially bases salary increases on longevity and graduation bonuses is adequate in many respects, but it doesn't stop the continual challenges that are made to the plans and not knowing—and not being able to seek either a definitive approval of your plan from the Department or having a more specific set of standards by which we can judge what we do in making every effort to comply. You owe—if you
promote one—you know, if you give one person who's
been there the same length of time as another
person because of many factors—how much time they
spend with the students, how good a job do they do
in determining whether or not a student should even
attend the institution over someone who doesn't do
that as well—you're always open to attack that,
well, it's really because they recruited more
students than the other person when, in fact,
that's not the case. But there's so much
subjectivity to it that, you know, I live in fear
every day of attack in that area when we've done
everything possible to ensure that we stay within
that safe harbor provision. So, any clarification
we can receive there would be most appreciated.

With regard to the issue of state
authorization as a component of institutional
eligibility, my company operates colleges in states
that have and states that do not have a Department
of Education that provides oversight. And I've
found there's little or no distinctions between the
services provided by those institutions or the
effort that's done because of the accreditation
standards and how they mirror and are so similar to
the state standards that we have to comply with in those states that have both—where we're complying with both a set of accreditation standards and a set of state standards.

So, I don't think that we need an additional level of oversight. And many, many states are actually now moving the opposite direction of complete deference to accreditation agencies for approval of degree programs. Many of the states in which we operate now, they essentially accept our accreditation approvals as the state approval.

And then finally another topic that is very important is the limitations on the amount of federal student aid. I know many institutions base their tuition by simply taking the maximum amount of student aid available and adding 10 percent to that so that they can be compliant with 90/10 regulations. And I know that tuition costs would go down considerably if the amount of financial aid that students was eligible to receive was not based on the maximum, but was based on relationship between what they ought to be paying for the program and their outcomes and their ability to
earn a job. I know our institutions would lower tuition if we were able to have some flexibility in those areas. And it's one that it's very difficult to deal with because on the current regulations, you can't have any kind of uniform system where you say we don't think that you need to borrow all the financial aid available. You have to do it on an individual basis. You have to go through quite an extensive collection of information and determination as to whether or not someone is—should be denied the ability to get all the financial aid they have available to them.

So I think it's very important that we focus on this area and understand its relationship with how it interacts with the 90/10 regulations and try to ensure that every student receives as much financial aid as they need, but that it not be excessive based on professional judgment.

Thank you.

MR. MADZELAN: Well, this is the--Charles was the last of our scheduled speakers at this time, so we'll take a break. We'll reconvene up here at 11 o'clock and see if we have additional speakers at that time. Thank you.
[Recess.]

MR. MADZELAN: We're ready to reconvene.

We'll continue on. We have several persons who had signed up for the afternoon, evidently not wanting to provide testimony on an empty stomach, but they've agreed to do so. So we have several persons signed up for this morning to hear from, and then that will either take us to lunchtime or pretty close to it, so--so we are scheduled for lunch from 12:00 to 1:00. If we break a little bit early, I think we'll still come back at 1 o'clock.

So, Carlaia Smith, University of Arkansas System.

MS. CARLIA SMITH: Good morning. I would also like to thank you for being here and for taking time to hear our remarks. I'd like to speak primarily on the topic of verification and ask that as you look at rulemaking, you take into account some of the challenges that we face currently with verification.

As part of verification now, we are required to determine if the tax information is discrepant. The regulations, or at least the handbook, I believe states that financial aid
administrators should have a fundamental knowledge
of tax issues that affect eligibility for financial
aid. I think many of us that have strived to do
that might have argued that that knowledge might
exceed more than a fundamental knowledge. And with
that said, would ask for assistance in trying to
determine that particular requirement.

In determining discrepant tax data we must
determine several things. One is if a family or
student or part of the family was required to file
a tax return, but did not. I'm not 100 percent
sure how that would affect financial aid
eligibility if the family did provide all income
information to us.

But with that said, I don't disagree that
people that should file a tax return should be
required to do that. But I suppose my question is,
is this really the responsibility of the financial
aid administrators to make that determination and
enforce tax code?

Keep in mind that often some of these
students that we find that we turn away might be
the student who had income from babysitting, from
mowing yards. The requirement if self-employed to
file a tax return occurs if net earnings is $400 or more. So think of the situation where we're telling some of the students, and especially those who are coming to us as first generation from very low-income areas that we--been described earlier from Arkansas, that in order to receive financial aid you must file a tax return because you've reported on your verification worksheet you earned $1,500 last year babysitting, but you did not file a tax return. There will be a financial obligation for them to pay their share of Social Security taxes with that amount. So the very students that we all want to help sometimes we're putting a burden to do that. Again, it's something that I think we should consider as we move forward.

Also, we're asked to determine if the filing status was a valid or correct filing status. Again, on the surface, this might not appear difficult, but I think, in reality, we found many challenges. And we've also found very few answers as to just what our responsibility is.

I've just described briefly two circumstances we do that. I think most of us will find that the greatest challenge is when someone
who's indicated they're married has filed as Head of Household. We find two issues with that as we go through that fundamental knowledge of IRS regulations is that there are circumstances where that can occur. But where we find our difficulty is trying to document that student actually qualified for one of those exceptions.

Very briefly, an example would be a situation where a student has indicated on all of our data that they are married. But then they find that there was an exception that you can file that way if you were married, but considered unmarried for IRS purposes. Only one of those requirements--there are five to meet that category--only one of those requirements states that they had to be separated from their spouse the last six months of the year. So, we find ourselves in the difficult situation they've already told us they're married, but suddenly they assert that they were separated.

Quite frankly, there are probably a number of times where we sense that that is not the truth. I'd like to believe that there is this wonderful ability of so many of our married couples to find that they are reunited at the time to complete
FAFSA, but seem to be separated at the time to complete IRS tax returns year after year. We find that a little difficult to believe, heartwarming as it might be. So we ask that they bring us in proof of separation. This has been very difficult, just to say the least. If they're truly separated you would think providing proof of two separate residences, a rental agreement, a lease, a mortgage statement, something to show ownership of property would be easy. That doesn't seem to be the case. They can't provide and we're constantly challenged on that issue, so we find that we are providing--we are spending much time trying to ensure that they actually met that status, and we're not always finding the cooperation, even from officials from IRS.

We get constantly, IRS has accepted our return; IRS has said if I'm separated I can file this way. We don't disagree. We want proof of your separation. We have talked with IRS officials and asked for what they would require if they were auditing the account and tried to mirror those requirements, but we find that typically IRS staff that students might contact don't seem to share
that same information.

Not to go too far with this issue, I suppose one of the things that I would comment in addition to whether this is our role as financial aid administrators would be would we refer this to IRS to resolve? If this is actually a role that we do not want these students to receive financial aid until it's resolved, who should really resolve it? Should it be financial aid administrators, who you stated should only have a fundamental knowledge, or someone versed with this?

Further, I'd like to speak then on verification. I think Herb mentioned, I think a cursor to some of my comments, for areas such as household size, number in college, where we simply at this point ask the student to list those names and ages for us, relationship to the student. The difficulty in this comes when we feel that there is some inconsistency in that.

We're really given little guidance as to our role in really determining whether that student or parent of dependent is providing half of that person's support or not. We might look at a situation and question is this really conflicting?
Are we going beyond or below? We understand that for verification they only have to list it, but then there's conflicting information. So how far do we have to go in trying to actually verify that person should be included in the household size? We're often torn in what we feel is the correct data and going through.

Other comments made, it's very true in that household size I find is often the most difficult thing to verify because we do find that students are being raised by a number of different folks. Which leads me to comment, which is not part of the topics you invited us to speak on today particularly, but the definition of "parent." It does make the entire process of verification very, very difficult. We are asking for that and we find that these students do not have relationships with parents, but it doesn't meet perhaps the level that we could exercise professional judgment and do a dependency override.

So as you look at verification, it has become very difficult to do, I think, with the requirements that we currently have, so we would appreciate your assistance in looking at that.
I would only make one other comment on another topic: state authorization as a component of institutional eligibility. I would simply say, as part of the schools within the University of Arkansas System, this has not been an issue. The current requirements have not been cumbersome for us at this time and that we have found that with work with the Arkansas Department of Higher Ed we're able to provide that documentation. I will say thanks to the Arkansas Department of Higher Ed in that I can remember many years ago, where finding acceptable documentation was a bit more difficult and we had some challenges with that.

Thank you.

**MR. MADZELAN:** Thank you.

Mary Lyn Hammer, Champion College Services.

**MS. HAMMER:** My name is Mary Lyn Hammer, and I'm going to go a little bit into my background so you know why I'm up here asking for the things I'm asking for.

For those of you who don't know me, I started on my quest in the education industry in 1987, when I moved to Arizona, after handling
foreclosures for a bank in Texas during the oil market crash. And I just couldn't kick people out of their homes anymore, so this isn't my first ride in the rodeo and seeing bad economic times.

When I got to Arizona, there was an ad in the paper that said, "Default Manager." And I thought, "What is that?" Because I did student loans before I did mortgage loans.

And I went to the school. They said, "We have a 35 percent default rate and the government's making an issue. We're too busy to deal with it, so here's your office and a computer. Do something!"

And to my knowledge, I was the first Default Prevention Manager in the history of the country. I got their default rate from 35 percent to under 10 percent in 2 years. And my lucky break was that my boss let me copyright the program in my own name.

So, I went out on my own 20 years ago. I'm having my 20th anniversary in business this year. On average, we cut the default rates in half. We specialize in high-risk students, inner-city schools.
And going back a little bit further than that, my motivation for doing so is that I grew up in an abusive home, and I left home the day after I graduated from high school. I went to a proprietary school. And because of the education and training and support that I got at the school, I was able to change my circumstances and get out of the situation and change that. So I truly, truly believe that education is a vehicle for making dreams come true because it did for me. And my hope is that we don't lose focus from the high-risk students that the Higher Education Act was originally written for because those are the students that need the help the most.

So, in saying that, I'd like to say that I support the agenda items that the Department has already put forward in their announcement as long as the end result is fair and equitable for all students and institutions, and that it's applied the same throughout all of the different sectors.

The people at the Department of Education probably feel like I'm a broken record. I was just a negotiator for the CDR issues and Team 2 student loan-based issues, so they've already heard all of
this and they're going to hear it again because they know I don't give up very easily.

So, my first agenda item that I would like added is for the expansion of the three-year cohort default rate appeal option that's already written in the HEOA, where schools can have a default management plan with measurable objectives and--and fulfill certain criteria that's approved by the Department of Education; that that option be available at an earlier point in time, that we don't have to wait for the 3-year definition. And the reason for this is because of the hard economic times that we're going through right now. I know with the loans that we service, our portfolio is twice as high that--as it normally is. Everything is different. We have multiple lenders and servicers. We have skip rates that are out of control because people are losing their homes. Traditional methods of finding the borrowers are not working. You know, the lenders are pulling out left and right, and consolidation is not a real good option for the students right now. So I believe that the default rates are going to go up at a much higher rate than we've ever seen before,
and we're already seeing those trends. So I would like for that option to be made available at an earlier point in time.

And the second part of that same appeal option, that at the end of the three years, you're allowed to do this default management plan for three years and then everything ends. The school can lose eligibility anyway. And I don't agree with it ending. I believe that if the school does everything they're supposed to do and everything that was approved by the Department of Education for them to do, that they should be able to remain eligible in the program because we can't control everything. We can't control what's going on with the economy right now. We can't make high-risk people change that rapidly. I think if we're given the right tools for--through time that they can change their lives just like I did, but we need a little bit more time for that to happen.

The second agenda item that I would like to add is consideration of an economic conditions appeal. I proposed one to add to the agenda in Team 2 and I was unable to get it added. It is easy to follow, easy to document, and it would be
easy for the Department to administer. It would be
an appeal option based on the unemployment rate.

I did research going back to 1948, when
they started collecting unemployment rates in this
country, and the average unemployment rate from
1948 through 2008 was 5.6 percent. The average
unemployment rate over the last 10 years has been 5
percent.

And my proposal is that there is a
forgiveness above the threshold for losing
eligibility that would be based upon the
unemployment rate and the location of your school
less the 5 percent average that it has been over
the last 10 years. So, in other words, if the
unemployment rate in your area is 10 percent, that
the threshold would go from 25 up to 30 percent or,
in the 3-year definition, it would go from 30 to 35
percent. Because it clearly shows that the
unemployment rate in that area is greater than
elsewhere in the United States, and I think that's
something that needs to be considered. We have
pockets of this country that are much worse than
others.

The third thing I'd like to have added to
the program, which I've been trying to get fixed for a very long time, is the definition of rehabilitated loans. In rehabilitated loans, borrowers, after making 6 consecutive payments, are allowed to take out a new loan, but their loan stays in default. Once they've made 9 payments in 10 months, they are officially rehabilitated. So, by allowing them to get a new loan when they're still in a default status is encouraging bad behavior and it hurts the borrowers. It hurts the students by leaving them in a default status. That remains on their credit for the entire time they're in school.

My proposal is that zero be allowed as a payment amount for those months that are between when they take out the new loan and the 9 out of 10 payments that are allowable for a rehabilitated loan. The statute is written in a way that it would support that change. The statute specifically says that payments below the minimum may need to be accepted. It doesn't say that it has to be greater than zero. So there's already reason for this to happen and it would be in the best interest of the student to have their credit
cleaned up when they're continuing their education. And last, I'd like to support what has already been said today in limiting funding, so that it's not excessive borrowing for the students. We see it all the time. In my business we service everything from cosmetology schools to law schools, and we see it all the time.

The schools have no ability to say no to the students. And with the loan limits where they are now, they're getting out of school with loans that they'll never be able to catch up on. And I think it's a shame that we're allowing that to happen. It's the same thing where it's a shame when we allowed the 3-in-1 ARM loans in the mortgage loan industry. And you're going to see the same negative effect and unintended consequences of allowing these huge, tremendous loan amounts for our students.

I'd like to thank you for this opportunity.

**MR. MADZELAN:** Thank you.

Karen Hulsey, University of Arkansas at Little Rock.

**MS. HULSEY:** Good morning. My name is
Karen Hulsey. I'm the Associate Director of Financial Aid at the University of Arkansas, Little Rock. I've been with the University 23 years, and the majority of my career in the Financial Aid Office I've been in a supervisory capacity for overseeing processing of financial aid applications, and verification has been a great part of what I was responsible for on a day-to-day basis.

To echo what Carla said, she was kind, she indicated that we didn't have to have a level of expertise. I've heard the phrase over and over again spoken by many individuals that financial aid administrators do not have to be financial aid experts. I will tell you my personal opinion is, though, that we're required to be the--excuse me, the income tax experts, that we're required to be the income tax police. And I don't like being in that position and I know it's also something that the aid advisors that I supervise find very frustrating for them.

Carla mentioned earlier the three areas that we are required to have a good working knowledge of: whether or not a return was required
to be filed in the first place; whether or not a
return was filed with the correct filing status;
and then, also, the area of whether or not an
individual was claimed as an exemption on more than
one return. While I understand the reasoning
behind this and I understand that this is to limit
abuse of the programs, it's designed to protect the
integrity of the programs, I am not sure that these
particular requirements for financial aid advisors
actually do that.

What we find in our experience, we have a
particular problem with the Head of Household
status, and I believe I can speak not only for the
students and families that we work with here at the
University of Arkansas at Little Rock. Carla and I
actually do verification training--I'm not sure if
that speaks to our sanity status or not--not only
across the state, but we've done it across the
region as well. And I know Carla has done it on a
national level.

Conversations we have had with other aid
administrators across the country echo the same
thing, that particularly the Head of Household
filing status, when we believe we have found a
conflict, which regulations says we much then--must then resolve, causes, I believe, undue hardship for our students and families. If we find the conflict, our response is to tell the student and/or the parent this must be resolved before we can go forward, before we can give you federal aid funds.

In some cases, the conflict is resolved, although it is never resolved quickly. Telling a student or parent that the tax return that you gave me, that was filed by what they believe is a professional tax return preparer, is incorrect, starts immediately an adversarial relationship that we don't want to have with our students and families. Why are you telling me this is wrong when my tax return preparer--who, by the way, if we call the preparer will say, "Well, of course it's right." And as Carla said, IRS won't really weigh in on that one way or the other because they don't have the information behind the return, why we're questioning it to begin with.

So we start a process where there's dialogue back and forth, which we will say is challenging dialogue to begin with. It may take a
while to resolve because a parent does not want to re-file the return, but what we're saying is the student won't get aid. In some cases, it's a delay of months. In other cases, it is never resolved and we have a student to whom we have denied access to higher education because they had to have the financial aid funds in order to attend. And if we are not able to complete verification, the student cannot receive funding.

And perhaps a best-case scenario is a student who doesn't receive funding doesn't start their education. Worse-case scenario, the student made a decision, however ill-advised, to go ahead and register for classes and is now obligated to my institution for tuition and fees for which they have no means to pay. And the final result will be that account is going to go to a collection agency. So we have taken a student, more than likely first generation, who as--is at risk at the--to begin with, and my office has made that student's life much worse. And that's not a position that I like to be in, I can tell you.

I don't do a lot of day-to-day verification anymore. I typically step in if
there's a problem. It's something that really
bothers the aid advisors who work with students and
their families on a daily basis. And we've had
students and families say why are you doing this to
me? I just want my education.

Again, I understand the need for the--for
program integrity. I understand that we don't need
to have students and families making up the
information they put on the tax returns or put on
the financial aid application, but this particular
area is causing, I feel, undue hardship on our
students and our families.

Thank you.

MR. MADZELAN: David Page, Philander Smith
College.

MR. PAGE: Good morning. David Page,
Philander Smith College.

I wholeheartedly echo the comments of my
colleagues, Carla and Karen. I don't want to
reiterate them, but I would say as someone who
represents a very small office and who still does
daily verification for our students, the Head of
Household is an issue that needs to be taken a look
at because it does cause undue hardship and
conversation within the office. And we don't really have the time to devote to that when we would--because we're already pretty much already strapped doing other things, which I'll talk about here in a minute. But the time spent trying to explain to someone that their tax return that was filed is incorrect takes away time where we could be devoted to spending with our students doing other--excuse me--doing other things that was talked about from our University of Phoenix students this morning.

So I don't want to already beat that horse again. But I do want to take the opportunity to talk about what I am currently dealing with daily in our packaging season that we are knee-deep in, and that is with the population of our students who want an education have or do not have enough resources from the federal government to attend. Not everyone on my college campus is a Pell Grant recipient. In the last years or so, we've had programs implemented, but those programs implemented have been strictly for those individuals who are Pell Grant recipients. Those of us--or those families who don't--or who are not
eligible for a Pell Grant, but they also don't have
enough funding to just write checks, are left out
of assistance from the Department of Education and
our government. And I would like for us to start
looking at that population as we tend to move our
population under this new administration to be more
self-sufficient and to be working and earning
money.

We can't always save money because we have
to put food on the table, we have to keep a roof
over our head. So we don't have a nest egg to pay
our child's tuition, but we're not dirt poor
because we're not getting a Pell Grant or what have
you, but there's no program for us to attend. And
so, currently, right now, literally, that's the
population that I am dealing with, trying to find
assistance for them and there's no assistance from
our government. Everyone does not want a student
loan. And I can't give work study to everybody on
my college campus because I didn't get enough work
study because our allocation was cut.

Which brings me to the two programs that
were initiated, and this is a horse that has been
beaten, but I will say my little 2 cents about it:
ACG and SMART. This morning, again, we heard, you know, about this one-on-one attention. Well, my--my time for that one-on-one attention has been cut because I'm administratively having to implement and do processing for two programs, which take up way too much time and take away from me being able to do one-on-one counseling with my students and trying to find them additional assistance to attend college because there is no assistance from the government for that population I talked about just a few minutes ago.

So you've heard it before and I'll say it again, if we--the money is great. I appreciate the money, but I do not appreciate the additional administrative burden it has put on my office. And I'm a small office. It's just three of us, so I do all the administrative stuff that the Director has to do, plus I also--I work with our freshman. So I do the day-to-day FA advisor that Karen talked about, so you--I'm stretched thin. And we're still being held accountable to these new rules and regulations with still no other assistance for my 25 percent population that's not Pell Grant eligible.
The other issue, just briefly, we've heard enough--enough about the FFELP versus Direct Loan issue. I would just--again, for me, healthy competition does not hurt anybody. I don't support--well, I do support, but, I mean, I understand we have to have, well, the conversation about FFELP and Direct. My thing with this new administration is just--also just here, those of us who are in the trenches doing the day-to-day work regarding the two loan programs versus someone who is not working daily in the Financial Aid Office. Enough said about that.

And the other thing, since I have this opportunity, we send our students and we have an assistance through the 1-800-4FEDAI️D number. Constantly we are having to reeducate a student who has called the 1-800-4FEDAI️D number on some policies and regulations that they were told by 1-800-4FEDAI️D. So if there's any additional training that can be given to those individuals who man that phone, perhaps they could just start with reading the handbook, that would be helpful to us. Because we spend a lot of time trying to educate our students that what they got from the 1-800-
4FEDAI D number was not necessarily true.

    Thank you.

**MR. MADZELAN:** If you do have specific examples of your 1-800-4FEDAI D experiences, we'd certainly be very interested in hearing those. I mean, we have that--

**MR. PAGE:** Yes, sir, we can get those to you.

**MR. MADZELAN:** --that same interest. And you can--you know, you can e-mail those to me or any of us. The Department has a very simple e-mail convention: first name, dot, last name at ed.gov.

**MR. PAGE:** Will do.

**MR. MADZELAN:** And we'll take--we'll look into that, I assure you.

**MR. PAGE:** Okay. Thank you.

**MR. MADZELAN:** Thank you. Tammy Harrison, University of Arkansas, Little Rock.

**MS. HARRISON:** Good morning. Like many of my colleagues, I came here today to--to learn and observe, but I found myself feeling the need to--to share information. My name is Tammy Harrison and I work here at the University of Arkansas, Little Rock, in the Office of Admissions and Financial
Aid. Every day we strive to serve our students and we appreciate the opportunity to come to you today and share information that we think may be helpful and may represent our students' concerns.

As you talk about the two Pell Grants in one year, I think in our area we're referring to it as a year-round Pell Grant. It may be just a small, minor detail, but I do not want students to believe they have to fill out two applications for two Pell Grants in one year. And we want to be very careful of the way that we communicate that information to our students to understand that it's a year-round Pell Grant that is available.

Even with the year-round Pell Grant, and we greatly appreciate that opportunity to serve our students in that way, but I have concerns about the reporting information that's available to us. Currently, we award grants to our students and then we learn after the fact about grants they received at another institution. The COD reporting, the NSLDS reporting always seems to lag behind just a little bit as we're reviewing the information.

We also recognize that on our campus the average age of our students tends to be in the late
20s. We have a very transient population with a large number of transfer students. So when they arrive on our campus and seek our financial aid assistance, we understand that they may have received aid elsewhere. And that's been a struggle for us in a year and we're concerned about having access to timely information as we process a second Pell Grant or a year-round Pell Grant for our students.

In regards to SAP and credit hours, monitoring academic progress is something very important to us. We want to make sure that our students are retained and are making timely progress toward completion of their degree programs. But we struggle to balance that with some of the very creative initiatives of our faculty members.

Students talk today about having access to education that fits in their schedules. Our faculty also want to provide non-traditional delivery of coursework. And trying to fit that non-traditional delivery of coursework into an appropriate definition of a credit hour and academic progress is a struggle for us.
Maybe one concrete example is in our math area. We've heard today about students who struggle with mathematics. There's a desire to offer self-paced courses so that when a student struggles with a very basic, elementary algebra course and finally grasps those skills and is doing well at their self-paced level, they can then immediately advance into the next level course without taking a break over the summer. But trying to fit that into an aid period that matches their other enrollment and monitor that progress continues to be a challenge.

One of your concentrations tomorrow will be on simplification, and I would encourage you to look at simplification. We have so many grant programs right now, and we are thankful for the grant programs that serve our students. The addition of ACG and National SMART being available to our part-time students this coming year will be very helpful. But as Mr. David Page talked about, having the opportunity to appropriately administer these programs is continuing to be a challenge for us.

We administer the Pell Grant program. We
add in ACG. So we are now reviewing transcripts from our students. We're spending time evaluating those high school transcripts, making sure that they have completed appropriate courses; that they're eligible; they meet the academic requirements. We're monitoring what courses the students are enrolled in. We're learning more about our degree programs to make sure that they're enrolled in the one course that's required for their major program of study and completing that each semester, their enrollment for the SMART Grant. I wish, if we had an option, that we could simply add incentive funding to the Pell Grant for SMART, for example, the students who are in the science, mathematics, technology areas, just an addition to the Pell Grant instead of a separate program, if that's a possibility for consideration.

In the area of professional judgment, I know Mr. Herb Brubaker spoke this morning about a desire to have more opportunity for professional judgment. And we do appreciate the opportunity for professional judgment. However, sometimes our students have the growing expectation that all they have to do is just ask the right person.
And we've had struggles when the students call the 1-800-4FEDAIL number and complain about a process. They are told just talk to your financial aid administrator. The student comes to us believing that we can make it all right for them, and that is not always the case. Sometimes there is action that we cannot take.

The most recent example, this past winter, I know there was information distributed encouraging us to use our professional judgment to assist students. With the declining economy we had more students who were losing their jobs and being financially impacted with their ability to stay in school and have the financial resources. Students were coming to us, exercising their opportunity to share their unique circumstances with us. We attempted to exercise professional judgment. But in many of those cases, students were given a compensation package that placed them in a better financial situation now than they had been when they were previously employed. And it was difficult to explain to those students you've gone through all of these additional steps, you've taken time to provide us with all this documentation, but
no changes can be made on your record at this time and that will be reflected in a future application. Also, with our student veterans, we look forward to the 2010/2011 financial aid award year when the Student Educational Veterans Benefits are not calculated into their financial aid packages and restricted with that cost of attendance. We are looking for, hopefully, positive news for 2009/2010 year. But our student veterans have been impacted when they believe that they have earned educational benefits through their services in the armed forces and then they come to us expecting to receive aid through the federal programs at maximum eligibility as well as the Student Veterans Educational Benefits.

Our students do expect quick answers. And maybe that's just a sign of the times when we all go out on the Internet and get immediate information back. The processes in the FAFSA have been very large. When they file the FAFSA, we're getting results back quicker than ever. But if those students are selected for verification, that creates a roadblock right now for many of our students when they step back, collect the necessary
documents to complete the verification process.

And you've heard a lot this morning about our opinions that we're IRS gatekeeper or we're enforcing additional information that I don't believe was originally part of the verification process. And we are finding that our students are being stopped in that process as we attempt to resolve conflicting information and make sure that we are doing what we are expected to do and what is needed for good stewards of the Federal Financial Aid Programs. We are selecting currently 45 percent of our students for verification, so we are selecting above and beyond what CPS is selecting for our students to make sure that the conflicting information is resolved. And that is a large workload on our students. It also causes a delay in delivery of funds to our students because of the time that it takes to process the required information.

Cost of attendance continues to be an area where our students wish we had more opportunity for professional judgment. We use an average cost of attendance and our students sometimes have a standard of living that they want to continue to
enjoy as they come back to school. And they are very concerned about that and continue to encourage us to use professional judgment in areas that we do not feel is an appropriate use, but that is a challenge.

With the simplification of the financial aid process, again, I would ask for simplification for financial aid professionals as well. You all have made great strides towards simplification of access to your information. There are multiple Web sites, multiple user IDs, multiple passwords that we have to keep straight, whether we're accessing CPS, NSLDS, the campus-based programs, and we look forward to consolidation of those sites so that we can more efficiently access the information that we need. And as we need that information efficiently, if there's any way to get more documentation to us, more timely handbook information to us at the time that we are administering the programs in the same aid year would be very, very helpful with complete information.

We want our students to find access to higher education. Our goal is to help them remove the financial barriers so that not only can they
access the education of their choice, but they can stay in school and complete the degree program of their choice.

You heard a lot this morning from the students talking about the importance of the one-on-one mentoring, counseling opportunities that they had, and how that encouraged them to stay in school. That is what we want to do. And, hopefully, with simplification of the programs and a few changes, you will allow us to have time to better serve our students with the one-on-one counseling.

We spend our time outside of the office with financial aid workshops. We provide programs in the community. Arkansas has a very active College Goal Sunday Program, where we go out into the community. And we're very proud of those relationships with other financial aid professionals, whether in the schools, in guarantee agencies, with the Federal Family Education Loan Program. Folks here are committed to making sure our students and their families have access to the educations of their choice. We're simply asking for your help to simplify the application process
so our students are not inhibited and not
intimidated about applying for financial aid, to
make it a smoother process, and enabling us to
better do our jobs.

Thank you.

MR. MADZELAN: Thank you.

I'm looking for someone in the back of the
room to check to see if -- if we have anyone else
who would like to speak this morning. We'll have
that information in a second.

The answer is no. And so at this time, we
will break for lunch. We will reconvene back in
this room at 1 o'clock. Thank you very much.

[Whereupon, at 11:53 a.m., a luncheon
recess was taken.]
AFTERNOON SESSION

MR. MADZELAN: Well, we will now reconvene this afternoon.

The first thing I want to ask is there anyone in the room in need of our interpretation services? If so, that's wonderful; if not, we can give our signers a little break this afternoon.

No? Okay. Or they may want to keep up with skills and practice in front of us.

Thank you. That's okay.

Our first speaker this afternoon, Elizabeth Tatum, University of Arkansas, Little Rock. Welcome.

MS. TATUM: Hello. Good afternoon. I'm Elizabeth Tatum. I work in the Financial Aid Administration Office. I'm a work study. I attend the University of Arkansas at Little Rock. I am a senior.

I was told by Ms. Harrison that we needed to talk about the problems with financial aid and the process. So, my own experience is--not to make this a personal testimony, but I was a police officer. The job is a dead-end job, so I quit to go back to school. I was making quite a bit of
money. When I left to attend school I started working as a waitress. You have to use your income from the previous years to go to school. I had to use 2007 and 2008 to get financial aid. The money that is on those tax forms does not reflect at all what I make now.

So, if you all could change maybe supporting documents when you fill out the Student Aid Report, just let them know that, you know, you're not making this money now or, you know, talk to your financial aid officer. If there is a shortened process--because what I had to do is I had to fill out the Student Aid Report, turn in my income tax forms. Then you can appeal the process, which takes a long time. So, if you all could maybe condense it, if that makes sense.

MR. MADZELAN: Well, I can--just to give a little bit of background, the eligibility formula, the need analysis that we use is specified in the legislation, in the statute. And not only are the formula and the various values for the parameters, and the formula and the assessment rates, and the percentages and all those things, not only are all those strictly specified, but the Congress went out
of their way to explicitly state that the Education Department cannot write regulations around these provisions.

So, I think as we heard earlier this morning, you know, some suggestions or statements around the fact that, you know, we have a financial aid process, system, formula that maybe made some sense at some point in time with respect to, you know, who is in the household, who has income, what is income, those kinds of things, may be less so these days.

So, again, you know, that's part of what we are hoping to address in the, you know, day two of these sessions tomorrow with some of our work around simplification of the aid application process, which, you know, can range from anywhere from do nothing--well, really not do nothing; you have to do something--but do a little bit all the way up to, you know, let's blow up what we have and start all over again. So that's the range that we're thinking about.

But, you know, I appreciate your experience and I wish there was more that I could do or some of us could do is just kind of nod our
heads and say, yeah, that's the way it is, at least for now. But, again, we do have the opportunity, you know, in the next couple of days, both here and in Philadelphia, and then, you know, with the Administration working with the Congress a little bit farther out to see what we can come up with to make that not only more simple, streamlined, but maybe be a little more sensible for now for the wide variety of individual and family circumstances that we see.

MS. TATUM: Well, I mean, I could understand if I lost my job, which, I mean, I'm grateful for everything that I get, but, you know, I chose to leave that job to better myself. And it makes a difference.

MR. MADZELAN: Yes. Thank you.

MS. TATUM: Thank you.

MR. MADZELAN: Reagan McKinley, University of Arkansas, Little Rock.

MS. MCKINLEY: Good afternoon. My name is Reagan McKinley, and I'm a work study student in the Admissions and Financial Aid Department at UALR for Ms. Harrison.

I have had an experience with the FAFSA.
I've had to fill it out for three years now because I'll be a junior in August. And the first year I did mess up on it. I put in some numbers wrong and I actually went to a community college the first year. And I took it to an advisor and I said, you know, what did I do? It was very overwhelming. And I'm glad I took it to an advisor because she helped me. She walked me through it and told me what I filled in wrong, so I was really glad. I mean, if I wouldn't have took it to an advisor, I would have probably not got anything and didn't realize I messed up on it.

The second year was a lot easier. I came to UALR and it made a difference. I'm much more cautious about it because I realize I messed up the first year on it. As far as I have to go home and be with my parents to fill out the FAFSA--like I said, because I'm more cautious about it. So it's kind of hard for us to find time, you know, to get my parents' tax forms and me to sit down and have time to fill it out together. Overwhelming, you know.

But I do like how the FAFSA guides you. I mean, if your answers don't match up, you know, it
tells you. And, you know, if left blank it'll tell you. You know, I like that stuff. And as far as being a work study student at the front desk in the Admissions and Financial Aid Department, I see lots of students who like the paper FAFSA. They're much more comfortable because they don't feel very comfortable with it on the computer. But the paper FAFSA takes a lot more time to process than the online FAFSA.

So, those are a few problems. But as far as work study in the office, I can tell people would rather have a paper to fill out. I mean, even a couple of people grabbed one or two because they feel like they'll mess up on it. So, I'm just an example of how I messed up the first year as far as putting in the wrong stuff. So, thank you.

MR. MADZELAN: College is about learning. Thank you.

Carol Nivado.

MS. NIVADO: Good afternoon, sir, ma'am. My name is Carol Nivado. I am a full-time student here at UALR, and I'm also Work-Study and a veteran.

First of all, I've been using financial
aid for a long time. So that tells you how long
I've been using financial aid. And it got a lot
better. I used to use it when you had to mail it
in and you have to wait for the confirmation and
this and that. And now with the technology world,
now you can file your financial aid online and
renew it. I think that's a great idea because they
store your current information and it's kind of
like filing your taxes now. It's stored in there
and you just have to file it and just a few changes
and that's what you do. I think it's great.

I do have some few concerns being a
veteran. I do use the G.I. Bill and I'm doing the
work study program for my extra income for school.
I feel like being a veteran, we're getting
penalized because we're receiving G.I. Bill
benefits and we can only have a certain amount of
financial aid. I feel like we as a veteran
shouldn't get counted in as our income for the G.I.
Bill. I guess because maybe we earned it, but
being up there, I mean, I don't take things for
granted.

I'm a student. I'm independent. I'm on
my own. And so having the G.I. Bill, we have
certain requirements, too. As me, I can't go get a
full-time job while I'm in school; I can only get
that scholarship. I do a Chapter 31 Disability, so
I'm restricted to what I can do as far as jobs out
there. And I do appreciate how much I can--
financial is great. I mean, it's been--I've been
using it for a long time, and it's very helpful
go to school and you have that help from the
government and the education benefits and stuff.
It really helps a lot, but I just want to know if--
I just wish--I know there are certain limits on
what a student can get for the financial aid, but I
wish it should increase in the future if that would
happen.

MR. MADZELAN: Thank you.

I know that many people, they, you know,
they think about the federal government in this
sort of kind of "Uncle Sam" monolithic way. That's
not the way it is. I mean, we have various,
obviously, agencies. And one of the things we've
been very involved with over the recent past is
working more closely with the Veterans
Administration and the programs that they operate.

So, again, the VA is a large source of
financial aid for college. Obviously, our Title IV programs here at the Education Department, a large source of financial aid for college. And again, I think what we are trying to do as a government is work more cooperatively across these units to, you know, forge some policies and operations that make a little more sense for you folks. Not only the recipients, like Carol, but also the administrators on campus.

So, you know, things maybe don't move as quickly as we would like, but I can assure you that we hear your concerns today. We've heard them previously and we're working to address those.

Stephanie Conrad, University Of Arkansas, Little Rock.

**MS. CONRAD:** Good afternoon. My name is Stephanie Conrad, and I'm a financial aid advisor here at UALR. So I work in the trenches you could say. I see students on a daily basis, and then I'm also one of the main processors for our office.

One of the main complaints that I'm hearing recently in the office and then also at our College Goal Sunday that we held in March this year was that there are no federal grant programs
currently for the working middle class. All the programs now are mainly structured for students from low income, but there are many families out there whose parents are teachers or police officers or even financial aid advisors--because lord knows we don't get rich in our job--that, you know, they work so hard to provide for their family and pay their bills on time and pay their mortgages and try to save a little bit. But at the end of the day, after everything is paid for, they don't have just a whole lot to contribute or to help their child with their education.

And I know that there are loans out there, but I feel like there should also be maybe some kind of grant program or some way to increase the Pell Grant eligibility to include a lot more of these working or lower middle class families.

And a suggestion would be--is with the SMARTs and the TEACH and the ACG program, these are great programs, but they are a nightmare to administer in the schools. And I think it would be a good idea just to end those programs and funnel that money into the Pell Grant. And like I said, get to increase the eligibility in the EFC range to
allow more students to qualify for that.

Like I said, I also do a lot of verifications for our office. And while the Department says that I do not need to be a tax expert, I feel like that I'm supposed to be one. I cringe every single time that I have to have that Head of Household conversation with a student. I feel like a lot of times it's intrusive and it's really none of my business. And I can tell you that students don't like having those conversations with us. And so I feel like the FAFSA application and the verification process has really got to be simplified because I feel like it's a major hurdle for students who are wanting to come to school.

And then on a final note, there's a lot of discussion right now about how the Department and the Administration want to use higher education and returning to school as a way to help spur the economy. And I feel like if they're very serious about doing that, you've got to find a way, again, to simplify the process and to create or expand on the current programs to really include those students who I feel like are being underrepresented right now.
Thank you.

MR. MADZELAN: Thank you.

Just a couple of comments. We are certainly aware of, you know, our Pell Grant recipients. We go up the income scale a certain amount and then basically run into, again, not strictly, as you know, based on income, but also other circumstances, and then the Pell Grant eligibility goes away. We did hear, you know, a couple of instances today about concern about those families just beyond kind of the Pell eligibility range. And, you know, we are, of course, sensitive to that--very much for Pell Grants at any rate--a resource issue for the government.

But that's also why we have in addition to loans, you know, other sources of aid. You know, the tax credits, for example. Hope and Lifetime that came in a few years ago, which are expanded for a couple of years in the stimulus legislation--I'll come back to that in a minute--but also the Administration's proposal is to make those tax credits permanent, the increased value of the tax credits.

So, again, I know it's kind of
complicated. You would like the notion of one-stop shopping. We kind of are there with Pell Grants and student loans, you know, once you get past the FAFSA, of course. But, you know, again, that's not the only source of the federal government.

In terms of, you know, the stimulus, I mean, you know, a few months ago the President signed the stimulus legislation. It was in all the papers--$787 billion--of which we in the Department got $98 billion. A lot of that, of course, for states, but a big chunk of it--a big chunk, $17 billion--for Pell Grants. And so that is, you know, to provide some significant increases over the next couple of years--'09/'10, '10/'11--and then moving forward from there, you know, the President's budget proposal, which, again, is for an entitlement Pell Grant program.

I know, you know, that has a significant meaning back where I live and work, which means that, you know, the Congress would not have to appropriate money so there would be a guaranteed or known funding level for Pell Grants. And also that there would be automatic increases in the maximum award each year based on inflation.
So, you know, we hear what you say and, you know, there's a lot of us that are in agreement. And these are things properly and ultimately addressed, not within what we're talking about today in terms of rulemaking, but nonetheless, I appreciate hearing your concerns. And it provides us with some additional information as we go back to Washington and continue to work on issues and policies around these programs.

I was just kind of rambling on there for a moment because we didn't have anyone else on the list ready to speak. And I'm looking towards the back of the room and see if anyone has joined us in the past half-hour or so. And if we wait just a short minute or so we will have an answer.

And I see that we have no one signed up. If there's anyone in the room who would like to speak, you may go sign up. Otherwise, we will recess, let's say for 15 minutes, and at that point we'll come back and see if we have any speakers who want to speak and then we'll move on from there.

Thank you very much.

[Recess.]

MR. MADZELAN: Well, it is now 1:45. I
promised we would check in, and we are. And we have a speaker. Teresa Avery, Ouachita Technical College.

**MS. AVERY:** It's called Ouachita Technical College from the Ouachita Mountains. And it is very--there's no Ws. There's no Ws.

I'm the Financial Aid Director at a community college, a two-year, public community college, and so our students are very low income. And a lot of the conversation today has been about verification, the Earned Income Credit, and the Head of Household tax filing status.

I'm also a CPA. I teach income tax, so I do know the one thing that the IRS always tells us: the Earned Income Credit is their biggest area of fraud in the tax code. It is where they lose the most amount of money. And so we are only a small part of the IRS trying to enforce the Tax Code as it should be to taxpayers.

And we are charged--students that receive federal aid are supposed to be legal, taxpaying citizens. And so that is why we are charged with doing the verification and verifying that they have filed the correct tax returns. I had one in my
office this week, husband and wife both took a
cchild each, both filed Head of Household, which is
what we see all the time. Both of them received
$3,000 to $4,000 Earned Income Credit. They have
received about $8,000, and they received that
illegally by filing those tax returns. And so what
we are charged with is trying to correct that. And
they may be right in asking for our small
ccontribution in that. I'm probably the only one
that thinks that, but that is what we do.

The other issue that I have been having
problems with is transferability. We are a college
with numerous colleges within a 50-mile radius.
Our students are transferring constantly. They'll
go to our school; they'll go to the school 30 miles
away. And they're moving from school to school.
We have no way to limit their loan—the capability
of taking out loans by grade level at all. I have
students that go two years to the four-year
institutions. They don't do well. They're back to
the community college. They have already borrowed
$15,000, $20,000 at that time in maybe subsidized
loan eligibility. They've been over there for
three years; they're still a freshman because they
haven't accumulated much. And I have no way of saying you have borrowed twice at the freshman level, $3,500 each. You've borrowed twice at the sophomore level, $4,500 each.

And when I do a loan at the community college, I'm just adding to that $30,000 balance. And so what does that do? When they default on any of those loans, they have defaulted on mine, too, and I was really not the instigator of that loan. And so we have no capability of limiting or restricting the loan eligibility of these students. I'm not really doing them a favor when I allow them to borrow another $10,000 at the community college level, in my opinion, because they will never be able to make that type of payment in their employment.

That's just my opinion on that and so I wanted to voice that. I really would like to see some way for the schools to be able to say this is the grade level that you have progressed to and you need to stop the loans at this grade level and progress. Because we also—in satisfactory progress, each school has their own rules about what we consider in a transfer student's—what we
transfer in and how we look at those grades. A lot
of students are going to another school to
remediate after they lose satisfactory progress at
their current school. And unless we actually look
at that transcript and say, no, you have been
suspended because of your grade point or whatever
has happened, then you still cannot get aid. And
most schools don't do that. We look at some
accumulated hours, whatever we transfer in, but we
still award that student. And so the
transferability, especially with distance learning,
it is proving to be a problem in tracking these
students.

I know the new legislation limits students
starting now. I believe it is to an 8- or a 10-
year Pell Grant eligibility. Is that correct? I
believe?

MR. MADZELAN: The equivalent of 16
semesters.

MS. AVERY: 16 semesters?

MR. MADZELAN: Right. So, 8 years, full
time.

MS. AVERY: I'm seeing students now with 8
years already and they still have a long way to go,
so that would not have any effect for another eight years. That's for students that are starting now. So, there is nothing in the regulations that can restrict a student from continuing to receive loans and all of that and continue on from school to school.

So, thank you very much.

**MR. MADZELAN:** Thank you.

I was looking around for a familiar face to see if we have anyone else. No. And still no. So, we will recess again. I think this time until let's say 2:30. Unless someone shows up, then I will reconvene. But we'll just assume I will next be in touch with you at 2:30.

Thank you.

[Recess.]

**MR. MADZELAN:** We'll reconvene at this time for me to tell you that we don't have anyone ready to speak, so we will recess and reconvene at the call of the Chair. I will let you know when we have someone who has signed up and wants to address us.

Thank you very much.

[Recess.]
MR. MADZELAN: Well, we have come to the end of our time today and we have no additional speakers signed up to speak. So, we are now adjourning this hearing.

Thanks everyone who participated.

[Whereupon, at 4:00 p.m., the hearing was adjourned.]