U.S. Department of Education (ED)
Office of Postsecondary Education (OPE)

Public Hearing on Federal Student Aid 2013

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OFFICE OF POSTSECONDARY EDUCATION
PUBLIC HEARING

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The Public Hearing convened in Toland Hall Auditorium at the University of California San Francisco, 533 Parnassus Street, San Francisco, California, at 9:00 a.m., Carney McCullough, Department of Education, Office of Postsecondary Education, presiding.

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ARMANDO TELLES, Veteran Advocate and Organizer from San Diego

JOE RIDOUT, Consumer Action

DYLON BUSSER, Roots of Justice/IIRON Student

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9:00 a.m.

MS. MESSIER: Good morning, everybody.

My name is Brenda Dann-Messier and I'm the Assistant Secretary for the Office of Vocational and Adult Education, and the Acting Assistant Secretary for the Office of Postsecondary Education.

Before we begin, I want to thank our hosts here at the University of California in San Francisco, and I wanted to let you know that I am joined by many of my colleagues from ED, Jeff Appel from the Office of Policy and Evaluation, Julie Miceli from our Office of General Counsel, Carney McCullough from our Office of Postsecondary Education, Amy Wilson up there at the table, from our Office of Postsecondary Education, and many of our Regional Office colleagues. So, I want to thank them for being here.

I also want to thank our

interpreters for being here today, and I want to welcome all of you to the third of our four public hearings.

In today's global economy, a college education is no longer just a privilege for some, but rather, a prerequisite for all.

In the last year, 60 percent of jobs went to those with at least a Bachelor's degree, and 90 percent, to those with at least some college.

Over the next decade, as many as two-thirds of all new jobs will require education beyond high school.

This is why the President's plan for a strong middle class and a strong America calls for expanding the availability of postsecondary education or training for every American.

Providing every American with quality education is not just a moral imperative, but an economic necessity, and we want to make sure that all students, regardless of income, race or background, have the opportunity to cross the finish line.

These public hearings give us an opportunity to begin conversations with the higher education community on rules that will ensure that colleges and universities are giving students a high quality education that prepares them for the workforce and life-long success.

These hearings are meant to be comprehensive and will include discussions of topics like state authorization for online programs, issues surrounding institutions' management of Federal student aid funds, and how to define gainful employment.

This process builds upon previous steps to develop regulations that protect taxpayer's funds and ensures that all students are able to access and afford a quality higher education.

We know college is one of the best investments anyone could make, but we want to ensure that students and taxpayers are investing in programs that prepare graduates with the skills and knowledge they need to compete for higher paying jobs.

The work of the people in this room, the contributions and feedback that we have received throughout the last four years has raised our awareness about a number of issues, and we're interested in learning more through these conversations.

Last year the Department held discussions about rules that will be designed -- rules that would be designed to prevent fraud and abuse of Title IV Federal Student Aid Funds, especially within the context of current technologies.

In particular, the Department announced its intent to propose regulations to address the use of debit cards for dispersing Federal Student Aid, as well as to improve and streamline the campus-based Federal Student Aid Programs.

As our interest in fraud and the use of debit cards continues, we're now considering adding several other very important topics to the regulatory agenda. These include one, cash management.

The Department is interested in looking at the regulations governing when and how institutions disperse Federal student aid, how institutions invest and manage those funds, and other issues on this topic.

Two, state authorization for distance education programs.

The Department had previously regulated on this issue, but a Court vacated the rule on procedural grounds in 2011.

With that regulation no longer in place, the Department is interested in ideas for how to address the requirement that states authorize the institutions that provide distance education to its residents, when the institution is not physically located in the state.

Three, the state authorization for foreign locations of domestic institutions.

The Department is interested in ideas for how foreign locations of domestic institutions should be treated under the state authorization regulations, since current rules do not specifically address foreign locations.

Four, clock-to-credit hour conversion.

Given concerns raised by institutions of higher education, the Department is interested in whether regulations governing the conversion of clock hours in a program to credit hours should be reviewed.

Gainful employment. Last June, a U.S. District Court vacated regulations defining what is meant for a program to provide gainful employment in a recognized occupation, but it affirmed the Department's authority to regulate in this area.

The Department is now interested in public input on other potential approaches to distinguish between successful and unsuccessful programs that seek to prepare students for gainful employment, thoughts on what the best measures or thresholds should be and how best to construct an accountability system.

Campus safety and security reporting.

The reauthorization of the Violence Against Women Act made some changes relating to the information institutions are required to collect and disclose, as part of the Clery Act.

The Department is now proposing to develop regulations to implement these new requirements.

The definition of adverse credit for the Direct PLUS Loan Program.

The PLUS Loan Program requires that applicants not have an adverse credit history to receive a loan.

What constitutes adverse credit was defined in regulations published in 1994, when credit conditions and consumer markets were different and loans were made through two different programs.

Since these conditions have changed, the Department is interested in comments on whether it would be appropriate to modify the definition of adverse credit and if so, what changes should be made.

Our last hearing on these subjects will be held June 4th in Atlanta. Based on the comments gathered at the hearings, the Department will draft a list of topics to be considered by rulemaking committees.

It is likely that negotiations will begin this Fall and prior to that, we will issue a Federal Register Notice seeking nominations for negotiators.

I thank all of you for dedicating your time and expertise to this very important process. I look forward to a fruitful discourse and appreciate your contributions, and now, turn it over to my colleague, Carney McCullough.

MODERATOR McCULLOUGH: Thank you, Brenda. I get to be sort of your MC for the day, in terms of calling people to the table.

As we indicated, if you could limit your comments to 10 minutes, I will be watching the clock. We have a full agenda today. Every slot is filled.

So, I'll have to -- may have to keep people on track, and we certainly appreciate it.

Once again, want to thank our hosts here today, and thank you all for coming, and with that, I guess I would like to call Debbie Cochrane, first.

MS. COCHRANE: Good morning, everyone. Thank you so much for the opportunity to comment and also, to kick the day off.

I'm Debbie Cochrane with the Institute for College Access and Success, also known as TICAS. We will be submitting detailed written comments for the record. So, I'm just going to highlight some of the -- a few of the most pressing recommendations now.

Most urgently, the Department needs to move forward with regulating gainful employment. The need to do so is so much clearer now than it was back in 2009, when the Department last initiated rulemaking on this issue.

Currently, more than 30 State Attorney Generals are now jointly investigating the for-profit college industry.

The 2012 report of the U.S. Senate HELP Committee's investigation included thousands and thousands of pages of documentation, that this industry needs greater attention and scrutiny, and the data released by the Department last year clearly demonstrates that the debt and loan repayment issues are huge problems at some of these programs.

Let me share some examples of what I mean.

The data show that students who enroll at Concorde career college, medical insurance specialist certificate program in San Diego have just a one in four chance of paying down their loan debt, and graduates' debt to discretionary income ratio is over 300 percent.

PCI College in Cerritos has a

medical stenography program where graduate debt to discretionary income ratio is over 400 percent, and only 38 percent of their former students are paying down their debt.

Four-D College located in California's Inland Empire has three programs with repayment rates below 13 percent. Fewer than 13 percent of students' debt is being repaid.

With this new data, our eyes have been opened to the extent of the problem, but without a gainful employment rule in place, we aren't doing anything about it.

Students are still enrolling in these programs and taxpayers continue to subsidize them.

You must move forward with regulating gainful employment, so that both students and taxpayers have greater assurance that the career education programs they're investing in are worthwhile.

Importantly, the rule must also be

strengthened.

Under the final 2011 rule, all of the programs I just mentioned would continue to receive unlimited funding. It would not even be required to improve.

Last year, a Federal District Judge not only upheld the Department's authority to regulate in this area, but actually confirmed the need for it to do so, concluding, "Concerned about inadequate programs and unscrupulous institutions, the Department has gone looking for rats in rat holes, as the statute empowers it to do."

While the 2011 regulation didn't set high enough standards, its overall approach remains sound, provide consumers with important information about career education programs at all types of colleges, and stop taxpayer funding to programs that routinely leave students with debts they cannot repay.

Repayment rate and debt to income metrics do provide a reasonable gauge of how the programs former students, both completers and non-completers, fair after they leave.

Still, the Judge vacated the regulation, finding defects in two areas, but fortunately, we see the simple remedies to both of these defects.

First, the Court found that the Department gave insufficient rationale for setting the repayment rate at 35 percent, and it is difficult to defend a repayment rate so low.

There are numerous studies, regulations and laws on which a more appropriate higher threshold could be based.

For instance, Congress has determined that colleges where more than 30 percent of borrowers default on their loans may lose access to aid. So, this suggests Congress presumes a sort of repayment rate of 70 percent.

The Department can address this, of course.

The second concern about the inclusion of non-aid recipients and NSLDS by simply not including those students.

Programs with median debt at zero already pass the rule and don't require intense scrutiny.

For programs with non-zero median debt, the majority of graduates will likely already be captured in NSLDS, because they borrowed.

So, the Department could keep the same debt to income ratios, with the same or stronger thresholds, but just base them on the graduates who borrowed.

So, those are straight-forward solutions that can and should be made to fix those problems, but the rule still does need to be strengthened.

At a minimum, the rule must provide incentives for weak programs to improve, so that programs that fail two of the three measures, like some of the ones I mentioned before, cannot just continue on business as usual.

The rule must provide relief to

students, when the programs they enrolled in are deemed inadequate for more Federal aid, by discharging the student’s relevant debt.

In the minimum, the rule must improve the program disclosures, particularly, the job placement and on-time completion rate definitions.

As important as it is, however, gainful employment is not enough. The Department also needs to prevent schools from evading other laws designed to protect students and taxpayers.

Specifically, the Department should add to the negotiating agenda rules to prevent students from evading the laws and cohort default rates or CDR's in 9010.

It has become very clear that some for-profit college companies are abusing forbearance and deferment, as tools to manipulate the school's CDR.

Now, avoiding default is always in students' best interests, but increasing their loan balance and leaving them to default later on a higher loan balance, which are potential side effects of forbearance and deferment, is not in the students' best interests.

In most cases, students struggling to make loan payments are better served with counseling on how to repay their loans and the availability of income-based repayment, or IBR.

The Senate report thoroughly documents schools reliance on forbearance to avoid CDR sanctions.

Secretary Duncan recently sent a letter, disclosing that the Department's own investigation of forbearance abuse found that, "Some institutions are aggressively pursuing former students, to compel them to request forbearance from their loan servicer."

Further, many borrowers, "Express the view that they were pressured or forced to apply for forbearance and were not made aware of other options, such as deferment or the income-based repayment plan."

One borrower who was current in her payments was even offered a $25 gift card to complete the forbearance process. She was current in her payments, but still, pushed for forbearance.

Stronger rules could help to avoid this type of manipulation, which puts students at risk of both higher loan balances and defaults.

The Higher Education Act authorizes forbearance to be provided for the benefit of the student borrower.

The Department could, for instance, specify that certain types of patterns of forbearance, such as back-to-back forbearances, are rarely to students benefit, or the Department could require documentation for why IBR is not preferable to forbearance, before an extended forbearance is granted.

Also, current rules define as in default, any loan on which schools or contractors make a payment to prevent a borrower's default.

The regulation does not specify that the payment must -- referenced, must be on the loan in question, and the provision of gift cards or other gifts of monetary value clearly seem like payments to prevent default.

So, if these types of payments aren't already prohibited under current rules, the Department should strengthen the rule, so they are.

It's not just CDR's that are being manipulated. Some colleges are manipulating their 90/10 rates, by delaying disbursement of student aid, irrespective of what students want and need.

The Department's sub-regulatory guidance, provided in the Federal student aid handbook specifies that disbursements are to be made to best meets students' needs and that aid must be provided to students in a timely manner.

Regulations should be amended to prevent such 90/10 gaining through disbursement delays, either by amending disbursement regulations or be amending 90/10 regulations to specify that aid must be counted in college's revenue, as soon as it's eligible for disbursement.

Still, other companies are manipulating both CDRs and 90/10 by combining campuses for reporting purposes, so that these new campuses comply with the 90/10 rule or CDR thresholds. This too, must be stopped.

In all of these areas, we strongly urge that the Department consider where stronger regulations can help protect students and taxpayers' investments.

The final topic I would like to speak about today is the participation rate index challenge and appeal processes.

By law, colleges where only a small share of students borrow are protected from sanctions based on their cohort default rate.

Losing eligibility for Federal grants and loans, which is the sanction that colleges fear the most, takes three consecutive years of CDRs above 30 percent.

If the colleges' borrowing rate is low enough to use the PRI appeal for any of those years, they can avoid sanctions, but the Department won't tell the college that they're not in jeopardy until they feel like they're in -- at imminent risk of losing access to aid.

So, this renders this appeal much less helpful. Why make colleges wait until they fear an imminent loss of aid before telling them that they've never been in danger?

Most troubling, fears for CDR sanctions have led to some community colleges pulling out of the Federal loan program.

Nationally, nine percent of all community college students do not have access to Federal loans, including more than 200,000 of them here in California.

Amending the Department's regulations on PRI appeals, to provide assurance in any year, would immediately help community colleges feel more comfortable offering loans to their students.

Nothing in the statute prohibits the Department from accepting PRI appeals from colleges with low borrowing rates in any year, but the Department has pointed to current regulations as a borrower -- as a barrier to doing so. Thank you.

MODERATOR McCULLOUGH: Thank you. Thank you, Debbie. Kate Zulaski.

MS. ZULASKI: Good morning. Thank you for the opportunity to speak today. I am Kate Zulaski, Executive Director for the Commission on Massage Therapy Accreditation, or COMTA.

COMTA is a specialized accrediting agency, recognized by the Secretary. We offer accreditation for single purpose institutions, teaching massage therapy and/or aesthetics, as well as programs of these subjects taught within larger institutions.

These fields provide opportunity

for either a full-time career or a part-time flexible income.

Both fields of study are commonly regulated within a state, based on a certificate level of achievement, with a particular number of clock hours required for entry level practice, as defined by state certification or licensing Board.

However, minimum education for entry level practice, as defined by state regulation, is not necessarily considered ideal for a successful career in either field.

Many practitioners seek additional education to further develop their skills and offer advanced services in order to earn better wages.

In some cases, this may include earning an Associate degree in the field of study, or even continuing on to earn a Bachelor's degree in a related field.

Massage therapy in particular is often a stepping stone for students to start earning income while they continue on to further study in advanced massage techniques or other healthcare fields.

These programs are offered in a variety of environments, including community colleges, as well as small, independently owned schools.

Under the current Section 668.8(k)2 related to the clock to credit hour conversion, if proof of training in clock hours is required to practice professionally, then program must be considered a clock hour program for Title IV purposes.

This strict limitation has had a number of consequences, which tend to undermine the overall quality of education in our fields.

On behalf of the Commission, I respectfully request that the Department reconsider this section, and work to find a better solution for the issue it was intended to address.

Furthermore, as an agency that

requires all programs to demonstrate that specific curriculum competencies be consistently taught and assessed with students, COMTA supports efforts to emphasize evaluation of student competence, rather than emphasizing time spent in class.

We suggest that programs which teach an observable skill, such as massage or skin care, could be evaluated through direct assessment.

We encourage the Department to consider how direct assessment might be used with programs that have previously been restricted to clock-hours.

Also as a side note, please remember that any time regulations apply to for-profit schools, this also applies to very small independent small businesses, owned by a single person often. We represent a significant number of schools of this type.

I have very short remarks today. If you have any questions, I can answer them.

MODERATOR McCULLOUGH: Thank you very much.

MS. ZULASKI: Thank you.

MODERATOR McCULLOUGH: Thank you, Kate. Robert Shireman. Good morning.

MR. SHIREMAN: Good morning, and welcome to San Francisco.

For the past 24 years, I have been working to improve college access and success in Government, in the Clinton and Obama Administrations, and at independent policy organizations.

Nearly four years ago, I sat at the Education Department table, in the initial program integrity rulemaking process, and I am pleased that 13 of the 14 topics that we raised at the time resulted in changes that are being implemented.

The 14th rule, gainful employment, has been opposed by -- principally, by for-profit colleges. So, my comments today will focus on how the profit motive relates to the need to regulate -- for regulatory oversight.

Almost everything that we are seeing, wearing and using right now in this room was developed and produced as a result of investors seeking a profit.

This incredibly smart phone, that most of us have in our pockets, emerged not from any Government directive, but from competition to get me to spend money.

In the process, this product made other products nearly obsolete. It is a dictionary, encyclopedia, map, calculator, camera and even a Scrabble board. Anybody playing Scrabble right now?

Adam Smith called competitive markets the invisible hand, because when they work right, they almost magically steer toward addressing society's needs, not because the providers are benevolent, but because they want a profit. It happens without a grand plan.

For-profit entities are a major

component of education, even when the schools are public and non-profit.

The buildings, the text books, the lab equipment, the hardware, the software, the beds and even the food are all developed and delivered through for-profit markets.

To argue that the profit motive is inimical to education is to deny our every day surroundings. That is why the case made by the CEOs of for-profit colleges can seem so compelling. They are not hampered by traditions of hundreds of years. They can bring in nearly unlimited capital to solve problems rapidly.

There is nothing holding them back from pursuing efficiencies, creating the potential to meet student and industry needs at lower costs.

But the big difference between my phone and a college degree is that I don't have to trust Samsung, that this is what Samsung says it is. I can tell that it's a working phone.

Unlike with other products, what is most valuable about a college -- about college is often nebulous and unpredictable.

Indeed, one of the most important goals of a liberal arts education is that it prepares, or perhaps propels is a better word, students to explore and expand the boundaries of knowledge and creativity. That is how we advance as a society.

Because the profit motive can get in the way of that quest by unrelentingly forcing a focus on calculatable efficiencies, higher education, education generally, has traditionally been provided by churches, charities and public institutions, where the profit motive is muted.

A degree is whatever a college says it is. The founder of the University of Phoenix said, somewhat ominously, 15 years ago, "With an amorphous product like a college degree, investors can spend little on educating, maximize Federal aid and recruit students who are least likely to be able to demand real value for the money.

Any college is capable of exploiting students and taxpayers, but the likelihood is greater when you have a conflict between the owners' financial interest and what makes for a quality education.

Kaplan University's CEO acknowledges this tension. At his for-profit institutions he can, in his words, rev up the recruitment engine, reduce investment in educational outcomes and deliver a dramatic return on investment.

Publically traded companies, he said in particular, create pressures to exploit the short-term opportunity for profits, that is inherent in this model, in a way that hurts students and taxpayers in the entire industry.

The problems are inherent in the for-profit model. These are his words, not mine.

Congress has long been aware of this

tension. The current statutory mechanisms for guiding the for-profit colleges to socially optimal ends, evolved from the approaches taken from the GI Bill, which were -- which were designed, quoting from 1976, "To prevent charlatans from grabbing the Veteran's education money."

Congress focused Federal funding at for-profit colleges, not on the importance of the amorphous pursuit of knowledge and development of leadership at traditional institutions, but instead, on the concrete, definable, measurable objectives of a subset of postsecondary education, job specific training.

The key to putting power of the profit motive to good use in the higher education is to give it clear targets, rather than thinking about the task of telling for-profit colleges what they should not do, tell them instead, what they need to prove, like a pharmaceutical company demonstrating that its new drug actually works.

My regulatory recommendations focus on the three provisions of the Higher Education Act that apply specifically to for-profit college eligibility for federal funds, and I've written testimony that I will submit electronically, that includes details on four regulatory recommendations.

First, the gainful employment rule, the second part of it is about a recognized occupation.

The Department of Education should limit eligibility to job classifications that are backed by the actual employer categories.

The categories have morphed significantly from being job specific, to be very general, which undermines that, the specificity that makes it possible to oversee for-profit college involvement.

Doing -- making this change would increase programmatic integrity and accountability by reestablishing a more direct connection to an industry.

Second, in terms of gainful, to encourage for-profit colleges to achieve their real potential, the Department needs to gain higher than a 35 percent repayment rate, and in my recommendations, I recommend a structure for doing this.

Third, require colleges to demonstrate that Federal aid is not their only real customer. It is not a badge of honor that so many for-profit colleges can only seem to attract the consumers who are the least informed. It is a sign of trouble, and it is the problem that the 9010 rule is supposed to address.

As the Senate Veterans Committee said in talking of the GI Bill version of the rule, if a college cannot attract non-subsidized students to its programs, it presents a great potential for abuse.

Colleges that feel the need to attract paying customers, employers or the students themselves, make themselves better colleges. It changes what the college is about.

By the Department of Education's own data, shows that for-profit colleges with more un-aided students, have lower default rates among their aided students.

The Department needs to use this market tool, as well as my fourth recommendation, strengthening the Federal requirement, that the institutions demonstrate their ability to survive in the market for two years, before they are authorized to receive Federal funds.

In addition to these regulatory changes, the Department of Education should expand its information and monitoring efforts in the marketplace in three ways.

One, encouraging smart shopping behavior. The Department could do this by simply an email to all eight applicants, with a brief questionnaire and an electronic offer of information with the 1-800-FOR-FEDAID phone number.

Second, surveying students one year after they enroll in a college, and simply asking them, "Would you recommend this school to others," would produce data that the Department of Education could at least share with the schools, and provide to consumers.

Third, the Department should use shoppers to monitor the advertising, recruiting and enrollment practices of colleges.

The for-profit colleges know they are different. They are the ones who make the case about innovation and the power of the market.

The Department of Education's task is to zero-in on how to steer that profit motive in the right direction.

The more for-profit colleges attempt to change the subject, rather than engaging in the substantive discussion about accountability, the more problems we should assume the colleges are hiding.

The more they gang-up together,

rather than having a variety of opinions, the more we must assume that they are all, rather than just some of them, in this business to exploit, more than to educate.

MODERATOR McCULLOUGH: Bob?

MR. SHIREMAN: One more line? The more rigorous the Department is in its expectations, the more successful it will be in creating a for-profit sector that does transform lives and provide real opportunities that benefit students and society. Thank you very much.

MODERATOR McCULLOUGH: Thank you.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Johnny Garcia Vasquez.

MR. GARCIA VASQUEZ: Good morning. My name is Johnny Garcia Vasquez. I am here today representing the California Student Aid Commission, CSAC.

I was appointed to the Commission last year by Governor Jerry Brown. I am currently a student at the University of California, Berkeley, and I am one of 15 members of the Commission and serve as Chair of the Commission's Student Impact Committee.

I want to take -- thank the U.S. Department of Education for this opportunity to speak about issues affecting students across the country and here in California.

But first, what is the California Student Aid Commission?

CSAC is the primary California state agency responsible for the delivery of State and Federal financial aid to students attending institutions of higher learning in the State of California.

The program is $1.5 billion this year, and over 250,000 students receive aid, and each year, more than $9 billion in State and Federal aid goes to students at postsecondary institutions in California.

Second, on behalf of the Commission, I am pleased to announce that California and CSAC have led the way on establishing quality standards for institutional eligibility to participate in state grant programs.

For 2012 through 2013, California lowered the maximum cohort default rate CDRs to 15.5 percent, and established a minimum graduation rate of 30 percent.

Each year on October 1st, CSAC certifies the data from the Department, for the purpose of establishing eligibility for the next academic year.

We cannot over-emphasize the importance of accurate and timeliness of the State of California, as California's most vulnerable students are the recipients of the millions of dollars saved with these most stern thresholds.

Therefore, CSAC urges the Department to adopt regulations to interpret schools -- prevent schools from manipulating CDR's through the use of combining campuses for reporting purposes.

Moreover, CSAC urges the Department to develop regulations regarding one, gainful employment.

We strongly encourage the Department to develop final gainful employment rules, as well as effective means for enforcement.

Struggling students with a lifetime of non-dischargeable debt and a second-rate education is adverse to the American promise of success through hard work.

Second, expand financial aid and financial literacy.

We strongly support the President's proposal to expand the Federal Work Study Program and change the allocation formula to direct funds to institutions that serve the greatest numbers of low-income students, and we support the need for greater financial literacy for student borrowers at admissions, at the signing of the promissory note, as well as graduation.

Three, student aid debit cards. Disbursement using electronic funds transferred is widely used on many campuses and is a growing for-profit industry.

This process generates cost-savings for institutions and can be more timely -- a convenience for students.

The use of debit cards to access funds earning a lot of economical funds transfer presents opportunities and challenges, and regulatory guidance should focus on student needs, security, transparency and accountability.

The regulations need to provide better protection for students, and student funds like A) Students should be able to decide between economic -- electronic options for receipt of funds. B) Funds should be available without a fee. C) Institutional relationships with the debit card provider should be disclosed. D) Co-branding should be banded; for examples, college logos on debit cards. E) Fee-free ATMs should be centrally located, and lastly, but most importantly, students should have to opt-in to receive a debit card, not the other way around.

From my experience, after completing my first year as a transfer student at UC Berkley and returning home for the summer, I went -- I enrolled in a lifetime fitness course at my former community college and received a debit card in the mail, even though I was no longer receiving any student aid from the community -- from that community college.

Now, almost the entire California Community College system currently uses debit cards, contracted with a single vendor to disburse financial aid.

More choice and protections need to be provided to students, parents and taxpayers.

In conclusion, I would like to once again, thank the Department for offering the California Student Aid Commission the opportunity to provide input for this important regulatory effort.

As one of the Student Commissioners here in California, as a low-income student that comes from a single parent household, who is a first generation graduate -- almost graduate of the University of California, I can speak directly to the difficulties facing college students today.

The enormous rise in cost for attending school has not been met by corresponding increase in financial aid, and students are being forced to borrow more, while students of lesser means are being excluded.

Students are entitled to receive every dime of their financial aid dollars, while receiving quality and affordable education.

Thank you for your time and consideration.

MODERATOR McCULLOUGH: Thank you very much. Megan Ryan.

Okay, Megan Ryan is not here. Okay, we'll skip her. Mary Lyn Hammer

MS. HAMMER: Good morning.

MODERATOR McCULLOUGH: Good morning.

MS. HAMMER: I didn't plan on going early.

My name is Mary Lyn Hammer. I'm the President and CEO of Champion College Services, and we've been in business for 24 years, helping schools with their cohort default rates and with surveys to help schools also gain knowledge about their students, their graduates, their dropped students, and their employers, so that they can make good decisions about their -- the courses that they offer and what the students need.

I'm going to be submitting a detailed sheet in writing to the Department, but I wanted to highlight the most important things that I think need to be brought to the surface.

First of all, it's something that I've been asking for years. You guys have all heard about it, and I've been in meetings with some of you about it, is that we still need information access for student loans, so that we can properly advise students.

This is primarily in the FFELP loans now. We probably could do some additions to the direct loans, as well, but it's primarily with the FFELP loans.

Secondly, we would like to have the ability to limit the amount of money that students can add to their debt.

I think it's a tragedy that certain institutions are not given that right, and that, you know, we have the ability to say to somebody that, "It's not in your best interest to take out this loan," but proprietary schools are prohibited from doing so, and I think it would be best for the students, to have that ability.

We would also ask that the Department take a good look at the contracts that they have with the Federal servicers.

A lot of the criteria and the contracts promote bad behaviors, and there is a lot of manipulating by the servicers, in order to gain percentage of portfolios, and the students are the ones that pay the biggest price for those, and I'll give you a couple of instances of this.

We've actually spent a lot of time educating our students about accruing interest, about their best payment options, about having predictable payments, because some of the payment options are not good for the students.

Graduated repayment is one example, and if you look at it and compare it to mortgage loans, the ARM loans, those are the loans that are being foreclosed on, and have been foreclosed on.

My background before I did student loans at Champion, was in mortgage lending, and it was -- I was in Texas when the oil market crashed, and those were the exact same loans we were foreclosing on then.

They're the loans we've been foreclosing on the last few years, and the structure of graduated repayment is very similar to that, where the -- when the payments go up, it sets the student up for failure.

They are -- they can budget easier, when they have a standard repayment schedule. It's the best option for them, because they know what it is.

It's the same thing with IBR and ICR. The administrative burden for the student to apply for that on an annual basis is huge. If they make a mistake, it could take months to correct, and the payment changes. That is really hard for somebody to budget like that, especially when they're new to credit and new to borrowing.

So, it's hard for people who have credit for 30 years to do something like that, let alone students who don't have that knowledge.

So, we suggest that you take a look at some of those things, but on the servicing level, we actually have recorded phone calls, where the servicers are saying, "This is our top initiative, and we're putting you in an IBR," and the student is saying, "No, that's going to cost me too much money," because they understand accruing interest, and the student is saying, "No," and they put them in it anyway. It's not good.

There is another situation where there was a pilot program this year, and we figured it out because we had students going from delinquent status to forbearance status, to default.

What the pilot program was, is that the servicer was automatically putting students in an administrative forbearance without ever speaking to the student, and then if they didn't get a hold of the student, it was the last 60 days of delinquent status before default. If they didn't get a hold of the student, it went into default.

If they got a hold of them and got their acceptance of it, it remained in a forbearance status.

So, the student and the schools believed that the loan was cured, and it wasn't, and so, there weren't any efforts on the part of the school to contact the students, or in our case, we were the ones contacting the students, because it appeared that the loan was current. That was what was reflected in the NSLDS. That's what came across on the reports, and we figured out the pattern and started questioning them, and they finally came clean with this.

At first, they said it was a pilot program, and they couldn't talk about any of the details, but we eventually got it out of them.

So, you know, the schools are being criticized for helping students exercise their rights, that are there by law.

Deferments and forbearances are a right that students have. You've asked us to educate the students, and we've done so, and the reflection is in the default rates.

The default rates are coming down. I can only speak to my own clients, but at

Champion, our default rates are 15.2 percent lower than the national average for like institutions, and our repayment rates were 14.9 percent higher.

So, you can do it and do it right, and some of the things that are going on with the servicing companies have nothing to do with the students, nothing to do with the schools, and the schools are penalized. The pilot forbearance program is one example.

Their incentives are based on their results, and if you look back at the history of the information that is released quarterly, you can see patterns where a servicer is going from last place, to first place, in a quarter.

You know, I am a numbers junkie, but taking millions and millions of students and moving the bar that quickly, it just doesn't happen without doing something that they shouldn't be doing, and I don't believe that the schools should be penalized for all of those things.

So, I really hope that you look at your contracts with the servicers, and do things that promote good behaviors.

The last thing I want to talk about is gainful employment, and like I said, I'm a numbers junkie, so, when all of the rates came out, I pulled down the spreadsheets, and the large spreadsheet had over 13,000 programs in it.

It wasn't what was publically released, but it had the devil of the details in it, and I started analyzing it initially, because I wanted to see if there was some tie-in between repayment rates and default rates, and there was absolutely no consistency.

But what I found was that the data in there didn't make any sense.

There are very specific repayment schedules that are supposed to be used for calculating the payments, and those payments are what is used to do the debt to earnings ratios.

So, here is some of what I found.

Undergraduate certificate. The average payment reported and used for the calculation of those ratios was $14.85. That is on a $4,000 debt, and it's supposed to be a 10-year repayment. It was defined very clearly in the regulations.

The actual payment on a 10-year repayment would be $46.35. Through all the ratios, they look pretty good based on $14.85.

Again, in the post-baccalaureate program, the payment was $15.25, when an actual payment for that program should have been $127.73.

Within post-baccalaureate certificate programs, you know, the media and what's said out there isn't matching the reality of what was reported.

The average proprietary debt was $8,391. That is the lowest of the debt for that category.

The highest is actually private schools, at $11,380.15, and the public sector was $11,099.44. So, almost $3,000 higher than proprietary.

So, the reality is that proprietary debt really isn't all that outrageous, and on proprietary payments, for example, Bachelor's degrees, the regulations were defined to use a 15-year repayment schedule.

The average debt was just under $8,000. The payments reported were $217.45. The correct payment would have been $70.87. Makes a big difference on the repayment and on the debt to income ratios.

So, what was reported was not accurate, and I'll give you a lot of details on this, and I'll be happy to explain it to you, because it is pretty complicated, if you're not the one that was the data junkie going through it. So, you guys can call me at any time about that.

But the payment -- the point being that it is important to teach students how to handle their debt and to make good decisions.

The schools are doing a good job of giving them those tools.

We had a client the other day said, "You guys aren't processing that many IBRs," and it's because the students are choosing not to take that schedule. They're choosing to take the standard repayment, where they know what it is, and they can budget for that.

MODERATOR McCULLOUGH: Mary Lyn, you're at time.

MS. HAMMER: Okay, thank you.

MODERATOR McCULLOUGH: Thank you very much. Margaret Reiter? Megan Ryan?

MS. RYAN: Good morning, everyone. My name is Megan Ryan. I am a supervising attorney at the East Bay Community Law Center.

EBCLC is one of the largest legal aid providers for low-income individuals in the San Francisco Bay area, and a primary provider of clinical education to students at U.C. Berkley Law School.

I direct our consumer protection

practice. I urge the Department of Education to implement a strong gainful employment rule.

In our clinics, we are seeing an increasing number of clients with student loans in default, following their attendance at a subpar for-profit college.

The debts are large, often grossly disproportionate to the economic benefit, if any, gained by attending these colleges.

Though our clients want to repay these debts, many simply cannot afford the high monthly payments. Yet, we have found that private lenders will not work with poor borrowers to negotiate an affordable payment plan.

Our clients are unemployed or under-employed, despite the promises of lucrative jobs made by recruiters for these colleges, and they're frustrated and scared about their financial futures.

I really came here today to just introduce you to two of our many, many clients from the past several months, who have ended up with large amounts of debt and no benefit from their education.

Christina has over $70,000 in student loan debt from a for-profit career education program, consisting of both Federal and private student loans.

Christina makes a low wage and has been unable to keep up with all of her loan payments.

Christina defaulted on one of her private loans and was at risk of defaulting on others.

A debt collector sued Christina in June 2012, and I am working with her on that case. As she fought her lawsuit, she made efforts to get back into good standing on her other loans, but she was unable to negotiate sufficiently affordable repayment plans.

Unfortunately, Christina's total monthly loan payments were too high. Her income did not support her basic life necessities and all of her loan payments.

Christina was recently served with two additional lawsuits for collection of private student loans. At age 32, Christina is facing possible judgments in three lawsuits.

If she loses these cases, she will be subject to wage garnishment and bank levies, likely for decades, since these loans cannot generally be discharged in bankruptcy, until the judgements are paid off.

Students need protection from career education programs that leave them with debt they cannot pay.

The second client I wanted to introduce you to is Tara.

Tara came to EBCLC, my organization, because she owed over $36,000 after attending a private for-profit college to earn her license to a vocational nursing degree.

Tara was unable to find work and was surviving on CalWorks Welfare, to support herself and her young child.

Not understanding that she had repayment options under the income based repayment plan, she defaulted on her Federal loan and her small income tax return was garnished.

While we were able to help her get on the IBR program, we were not able to give answers, to her dismay, that she owed so much money, despite being unable to find gainful employment.

Allowing programs where the majority of students cannot pay down their debt, to continue to in-debt students does a disservice to both students and taxpayers.

Programs that do not benefit students must -- should be shut down. The names in these stories have been changed, but the facts have not. These are the cases that I regularly see.

If the proposed gainful employment rule had been in effect, clients like Christina and Tara would not be saddled with debt and disappointment.

I urge you to create a strong gainful employment rule, to protect students, so that their belief in upward mobility through education remains true, rather than ruined by crushing debt and professional stagnation. Thank you.

MODERATOR McCULLOUGH: Thank you. Margaret Reiter, please.

MS. REITER: Good morning. My remarks are based on my experience over 24 years of working as an investigator and prosecutor of consumer fraud, many of those cases involving for-profit schools, as well as my experience at the State and Federal level, in working with others to develop regulations and legislation in this sector.

Currently, I serve as the Vice Chair of the Bureau of Postsecondary Education Advisory Committee in California, and I have now also been updating every couple of years, a book for lay people who are in money trouble, and it has a full chapter devoted to dealing with student loan debt.

So, my remarks are based on this variety of experience, and they are my own. They do not purport to represent any agency or committee, or anyone, other than myself.

I also would just say for time sake, I would really incorporate the remarks of Debbie Cochrane particularly, and also, those of Bob Shireman, because they dealt with and detailed some of the issues that need to be discussed.

In the Court decision that rejected the gainful employment rule, the Court went through and did a great service to us, in pointing out the original intent of gainful employment, and pointed out that Congress was relying heavily on the testimony of experts and members of the industry and others, who said among other things, that most students who take those training courses, in other words, for-profit training courses, complete their programs, and whether or not they complete, 95 percent obtain employment.

Therefore, it would be a good thing to include them in the student loan programs, because they would be able to repay their loans rapidly.

A substantial majority of those that obtained employment, obtained it in their field of study, and one of the representatives of the for-profit industry said that in almost every case, in almost every case, students would be able to repay their loans out of the increased income from their better educational status.

As a result, Congress included the for-profit schools in the loan program, and required as amended over the years, that there be gainful employment provided in recognized occupations.

If a person walked in off of the street and heard what we have today in this program, the short courses that have now morphed into much longer courses, the claimed 95 percent employment and the rapid loan repayment, compared to today's bloated training programs, grown overly long and garnishing -- garnering more Federal aid, the dismal student loan repayment rates, the high default rates, somebody who walked in and saw that and compared it to the original would say that we're crazy. We must be crazy to keep throwing down the rabbit hole, in this Alice and Wonderland world.

This is not the training program that Congress intended, when it talked about needing to prepare students for gainful employment.

This would all be considered an outrageous scandal, weekly fodder for the Sunday talk shows, if it had not continued for so long, and become so large, that we are near to this kind of Alice in Wonderland world.

People who know I've been active in this area, sometimes ask me for their sons, daughters, nieces, nephews, if I could recommend a good for-profit school, and I have to tell them that there are probably undoubtedly, many of them out there.

But the fact is, we don't have any standards to tell us which ones they are, and that is why it is so important that the Department, once again, make a strong effort to come up with a gainful employment rule, as well as a definition of job placement rates.

The gainful employment rule should resemble what Congress intended originally. Thirty-five percent repayment rate is such a far cry from what was intended, that it is just inconceivable that we would have that as our standard going forward.

I recognize that the Department realized that many schools could not meet a high standard, and therefore, came up with something that they thought would knock out -- not knock out too many programs. That cannot be a standard going forward.

The Department needs to consider some kind of a phase-in, so that programs today, that are not producing, can gradually get themselves up to a standard, but then going forward, everybody should have to meet that high standard, and it should resemble what was intended to begin with.

Almost everybody can repay their student loans from the employment they're able to garner after these programs. Ninety-five percent of the people obtain employment, and so on.

In addition to the gainful employment, as I mentioned, we need to have uniform enforceable definition for job placement disclosures to students.

I know there was an effort to come up with them, and they decided it was too burdensome for the schools to actually have to collect that data, and I think that that's sort of looking at things backwards.

It is too burdensome for students to be able to figure out what is a good school, if they don't have that data. It's too burdensome for students to be saddled with these huge debts, when they wind up at a school that is not providing job placement.

It can be done. For over 20 years -- and for about 20 years in California, we had a rule that defined a uniform meaning for job placement.

Schools collected the data, and frankly, it's not -- it would not be a burden, in that there are already many of them collecting it, and you know, you simply have a different computer report, depending on whether you report based on the criteria for the accrediting association or the state or the Federal.

It is, in this day and age, not a difficult proposition, to have to report things differently to the different states where you owe taxes, or the Federal Government. You're a computer program, you put in the data and it belches out the information that you need.

In addition, I would just mention briefly, there needs to be an adjustment to false certification regulations.

We had raised this in 2009, but it was not part of the original description of what was going to be discussed.

The statute requires there to be -- loans to be charged -- discharged if a student's eligibility to borrow under this part was falsely certified by the eligible institution.

The regulations only deal with one type of false certification, but if you go through what the institution is required to certify, there are a number of things that it's required to certify, any one of which should allow a student to get their loan discharged, if that was certified falsely.

That should be a topic that is taken up, because all these years, and continuing, while we don't have adequate regulations, the students are the ones who are suffering and having loans that they can't repay because they didn't get what they were supposed to.

The issue of debit cards, I agree is a very important one. From a consumer perspective, the worst way to have your money is on a debit card.

There are tons of issues with fees and all kind of things. The protections are not nearly as strong as they are, if you have it on a credit card or in some other means.

So, that is a huge worry, I think, for people that have huge amounts of student loan money on a debit card, unless there is some protection, when the debit card is lost, and also, that there is -- it's not a profit setter. This is not the point.

Students should not have to pay yet again, in order to get their student loan money.

Distance education, I agree is a topic that needs to be addressed. It needs to be addressed more thoroughly than it was last time, because there is still a giant loop-hole that says that, as I recall, that distance education has to be authorized by the state, if the state requires distance education to be authorized.

So, it needs to be required to be authorized by the state, in all circumstances, and this can be dealt with in -- by means of reciprocal agreements with other states that allow distance education in the particular state, if it is -- meets the -- if the other state standards are at least as high as the state where it's being offered, standards are.

So, it's not like the state has to go out and inspect the school at a distant location, if the other state is doing a job equivalent to what the state would require.

It has to be that way, because distance education is becoming a much larger part, and if that is left without this kind of regulation, it's like creating a loop-hole, just like we have, you know, with the cohort default rates, where people figured out all kinds of ways to get around them, and everybody is going to distance education. So, that has to be central in what is regulated.

A couple of -- I also agree with the

point on the manipulation of the CDR's and the 90/10, which has already been addressed, and that needs to be addressed as far as it can be with regulation.

There may be some aspects that can't be dealt with, with regulation, but the Department has very broad powers to consider that.

Then finally, the Department needs to correct its on-time completion definition that was put forth in the regulations last time.

We all understood, I think, that it meant that of 100 students who go to a school, start a school, how many of those complete the course on time, and the regulations that turned out is, of those students who actually complete the course, how many of them complete it on time?

So, if you have 100 students enrolling and five complete, and five of them complete on time, then your on-time completion rate is 100 percent, even though hardly anybody completes.

This is very confusing and misleading for students. I think it does students a disservice, and that really needs to be corrected. Thank you very much.

MODERATOR McCULLOUGH: Thank you, Margaret. David Loganecker? Good morning.

MR. LOGANECKER: Good morning. I am David Loganecker. I'm the President of the Western Interstate Commission for Higher Education. I have submitted more complete testimony, and will just give you a summary of what I was going to talk about.

This testimony focuses on only one aspect of the Federal regulation of higher education, that being the oversight of state authorization of distance education.

Rather than bring you a problem to solve, we bring you a solution to this issue, that has been worked out between the states and the higher education community.

The problem has been clear, relying on a patchwork of 50 states, PLUS territories to regulate independently, created a myriad of approaches to regulation, resulting in confusion for institutions, variable quality assurance, and substantial unnecessary expense associated with redundant efforts.

Yet, that has been our system of state regulation up to this point.

Through the rather remarkable and unique collaboration, three national efforts, a limited foundation funded effort by the President's forum and Council of State Governments, a collaboration of the four state regional compacts and the National Commission on Regulation of distance education, which was a collaborative effort of APLU and SHEEO, and was chaired by former Secretary of Education Dick Riley, these three groups have come together in great part, spurred by the Department's efforts, beginning nearly three years ago, to develop a new approach to state regulation, referred to as State -- as the State Authorization Reciprocity Agreement.

SARA, which is what we call this new agreement, not because I have a daughter named Sara, but because it sort of fit.

SARA will provide a national framework for willing and able states to work together, to accept each other's authorization of institutions domiciled in their respective states.

Now, notice I said 'willing and able states'. So, it does require that they have high standards.

So, what have we brought? Well, first, we established two guiding principles for our work.

First, while regulation is often necessary, it should not be excessive. Whatever we came up with had to follow the regulatory mantra that less is more and less is not enough.

Second, the concept of reciprocity requires trust, trust between the states that enter into reciprocity agreements and trust between three major partners in the Federal triad, the accreditation community, the Federal Government and the states.

We know this, that this element of trust is not easy to swallow for everyone in higher education.

Some folks are concerned that accrediting agencies have not provided adequate quality assurance. Others are concerned that the Department has been lax and somewhat antiquated in its assessment of financial responsibility, and some are concerned that not all states have taken this responsibility seriously in the past.

To address these concerns, we've devised a system in which the trust we rely on will have to be earned. We will closely work with accrediting agencies and with the Federal Government, to express concerns that arise, and to hold them as partners in this, accountable for their respective responsibilities.

We will accept the reciprocity

partners into the reciprocity projects, only states that live up to the standards of reciprocity that have been established in the consensus document around this, that was developed by the National Commission on the Regulation of Distance Education.

State authorization reciprocity agreement will work as follows.

First, the four regional compacts, that is the Midwestern Higher Education Compact MHEC, the New England Board of Higher Education NEBHE, the Southern Regional Education Board SREB, and the Western Interstate Commission for Higher Education WICHE, will establish regional SARA entities.

Second, these regional compacts, working directly with the National Commission and the President's forum and CSG, these are all the groups that have been working on this, will establish a national board to coordinate and harmonize the efforts of the four regional compacts.

This will assure that the states participating in reciprocity within one of the compacts will meet the standards for reciprocity in all of the compacts.

Thus, states within one will be recognized as reciprocal partners with states participating in another, and they will all meet reasonable standards.

The board will develop and maintain information systems, so that it will be the place to go to find out what institutions and states participate in these voluntary activities, and this National Board will make sure that the processes of the four regional compacts are compatible and consistent with the criteria established by the National Commission Report.

The next thing is, once you've got the compacts and the National Board, is that the states that wish to participate in SARA will seek membership in the state authorization reciprocity entity within its regional compact.

To be accepted, a state will have to

demonstrate that it's willing and able to meet the criteria that are required and the standards that are required, and those will include accepting national or regional accreditation as initial evidence of academic quality for approving institutions for participation and reciprocity.

It will require accepting a Federal financial responsibility rating of 1.5 or 1.0, with justification for such participation.

It will -- and it will be -- it will provide an effective -- this will provide an effective state process for consumer protection -- or no, that they also have to assure that they're providing an effective state process, both with respect to initial institutional approval and ongoing oversight of those institutions, including following up on consumer compliance as required in current Federal law.

The states not only -- states not willing to accept these conditions, that will be fine. This will be a voluntary system, and they don't have to participate if they don't want to. They would simply deal with things as they do together -- today.

Finally, degree granting institutions that will seek authorization, but if they don't want to play, that will be their prerogative.

The fourth and final area are institutions, and that is that finally, the institutions will need to seek the authorization from their state, just as they do today, with the exception that the institution will be authorized in its home state and will not need to seek authorization in other states that are part of the reciprocity agreement.

Now, because this is a voluntary process, an institution wishing to participate -- not wishing to participate need not do so, if it doesn't wish to.

It would operate as it does today. It would need to require -- seek authorization in all of the states, as it does today, but it could do that, if it wished to do so.

To finance this operation enterprise, the four regionals are seeking foundation assistance, to support the implementation of the plan, and we are quite optimistic that that funding will be provided.

We anticipate that the effort will be self-sufficient within four years, from dues paid by institutions for participating dues that will range from around $2,000 to $6,000 per year.

So, there is SARA, our solution to the state authorization for distance education.

The four regional interstate compacts and our other partners look forward to partnering with the Federal Government and the accrediting community, in a rejuvenated and contemporized Federal triad for quality assurance in the regulation of higher education distance learning.

Thank you very much for the opportunity to share these ideas with you.

MODERATOR McCULLOUGH: Thank you, David. We're running a few minutes ahead of schedule. Perhaps we have somebody else.

(Off mic comments)

MODERATOR McCULLOUGH: Okay, we're running a couple of minutes early.

So, Nancy Coolidge, who would like to read Barbara Hobitzell's -- are you ready? You don't have to be, but if you're --

MS. COOLIDGE: Well, I'm combining it. We're both representing the University of California's system, and I have her testimony with me, but she's not here today.

But I have mine, as well, I can just do it.

MODERATOR McCULLOUGH: Okay, do you want to go ahead now, or would you rather wait?

MS. COOLIDGE: I'll wait.

MODERATOR McCULLOUGH: Okay, that's fine.

Tom Babel, would you like to go now? Okay, great, thank you, and then we'll take a break after Tom's testimony.

If anyone who is here, has not signed in as a presenter, or who wishes to present, please see Amy and Eric in the back of the room. Thank you. Thanks, Tom.

MR. BABEL: Thank you. Good morning. Thank you, Carney.

As Carney said, my name is Tom Babel. I'm Vice President of Regulatory Affairs for DeVry. I am here to speak today on behalf of DeVry's U.S. institutions, Carrington College, Carrington College California, Chamberlain College of Nursing and DeVry University, and the 95,000+ students that are currently enrolled in those institutions.

I'll combine my remarks to just two topics today, accountability framework as an alternative to the gainful employment regulations, as well as the negotiated rulemaking process itself. We'll submit a more comprehensive response in written form, next week.

Together, the four DeVry U.S. institutions have been preparing students to enter and advance in the workforce for 289 years.

Our graduates can be found in healthcare, technology, business and education fields. They work for 96 of the Fortune 100 companies, all of the U.S. Military branches, many Federal and State agencies, and countless mid-size and small businesses.

Their titles include dental hygienist, nurse, systems analyst, professor, as well as Chief Information Officer, President, General and commonly founder and owner.

Our students have always chosen our institutions for the career opportunities which followed from our educational programs.

The potential return on their educational investment was evidenced in the graduates that came before them, and it was and is evidenced in factual outcomes, so consider these results.

For years, the average first year

salary of a DeVry University graduate, somebody coming right out of school and going into the workplace, has approximated the total family income of a dependent student currently enrolled.

So, it's just taking that student and leaping them, in terms of financial security, to levels that their family never experienced before, either directly, their parents, or generations that preceded them.

Another example, under a metrics project, sponsored by the Gates Foundation with data reported from the Texas Workforce Commission, DeVry University graduates with a Bachelor's degree from our Texas campuses had a median earnings rate greater than $51,000, just one year after completion.

In a recent analysis released by Pay Scale, a salary information firm, three DeVry campuses ranked among the top 100 colleges and universities, that's just not private sector institutions, that's all institutions, in return on investment of its graduates.

These outcomes, post-graduate employment outcomes are just one component of an accountability framework that DeVry has advanced to assure students and taxpayers are assured that the education that choose and sponsor will offer that -- will offer the high quality opportunities incumbent to the pre-eminent higher education system.

We understand the issues that frame the development of the gainful employment regulations, concerns that student's debt was not aligned with their expected earnings capacity after completion of their studies, and concerns that institutional motives were not aligned with student's educational objectives.

But the gainful employment metrics developed a control for those concerns, entirely missed the mark.

They are too narrowly focused, covering less than 20 percent of the student population and their use of proxies as an assessment tool is just plainly bad science.

Post-educational employment outcomes and debt financing are critical factors that should be available to all student's consideration.

In its annual freshman survey, the Cooperative Institutional Research Program found that 88 percent of 2012 freshman chose to go to college to get a better job, and according to the College Board and TICAS, two-thirds of Bachelor degree recipients will borrow, and the average debt of those who do will exceed $26,000.

Despite the continued growth, modest as though it may be, 27 percent of 2012 graduates are unemployed or under-employed today. That is 27 percent. That doesn't just -- that is not just the private sector. The private sector produces about six percent of Bachelor's degree recipients.

So, those -- that other 21 percent, at least that other 21 percent are coming from other institutions.

Debt loads and employment prospects are universal concerns that warrant protection for all students, and accountability covering all institutions and programs.

The original gainful employment rules used raw metrics to qualify programs. While simple to measure and simple to communicate, the very simplicity of those metrics fail to account for the complexities of the student population.

The use of such simple measures assures the qualification of the most selective and exclusive programs, while jeopardizing those serving best, the most at-risk students.

Not only are such assessments flawed and dangerous, they run counter to prevailing policy.

A number of states recently, in developing performance funding mechanisms, the American Institutes for Research, the Gates Foundations have all recognized the importance of using input adjusted metrics for assessing institutional outcomes.

The American Council on Education cautions any metrics used to evaluate institutions must account for the differences among college and universities.

So, we agree, the existing controls are inefficient -- or insufficient. Institutions should be accountable for their practices and outcomes. Reckless enrollment of those without a capacity to succeed, tax avoidance, manipulation of data to improve rankings and misreporting of crime statistics are behaviors that should not be tolerated.

These are behaviors that exist across all sectors and programs, not just those subject to the original gainful employment rules.

We believe the Secretary has the authority and mechanisms to punish those who engage in such behavior, and should use them accordingly, but we also believe that the existing authority and mechanisms are not adequate in helping students make fully informed decisions and protecting taxpayers' crucial investment towards higher education outcomes.

Towards those objectives, we propose an accountability framework built on two pillars, performance outcomes and standards of practice.

With regard to performance outcomes, we think that all institutions should be accountable to measuring, are their students learning, as demonstrated by passing licensor exams and other measures of attainment.

Are students progressing and completing their programs of study, whether at their original or at subsequent transferred to institutions?

Are students attaining their educational objective, meaning are they employed or have the gained admission to a higher level of education, and are students repaying their student loans?

Again, any assessment of

institutional programmatic performance, when used on a comparative basis, must account for the variation of the student populations being served by the measured institutions.

We recommend looking at very similar models, comparing actual performance to predict outcomes, developed by Tom Mortenson at the Pell Institute, as well as those developed by the American Institutes for Research.

We recognize that there are limitations on existing data today, that would stall the development of meaningful thresholds in these areas.

But several recent Bills have been introduced in Congress that will help close those gaps.

We're encouraged by this action and support their passage. In the interim, we believe the Secretary should begin building the mechanism to measure and publish these input adjusted performance metrics, and encourage institutions to self-measure and publish, where able.

With regards to standards of practice, we believe there are fundamental practices and information that should be available to all students.

While we have significant concerns with their implementation, we support the fundamental concept of the financial age shopping sheet and college score card.

Students should be provided with cost, expected debt, time to completion and projected employment or graduate school prospects, specific to their enrollment in a program of study, prior to the incurrence of any financial obligation.

A no-cost cancellation period should be made available to the most at-risk students, insulating them from a financial burden that they cannot afford.

Information on program progress, including remaining requirements and expected time, as well as cost and debt incurred and remaining, should be readily available to students throughout their enrollment, and professional services to all students, with academic planning, career mapping and education financing should be readily available at all times.

While the cost of these services is not insignificant, the cost of not providing it is too many lost students, too many years spent in pursuit of a degree, too many defaulted loans and too much wasted funding.

Like services are available to almost any auto buyer. It's inconceivable that the same service and protections are not provided to our students and taxpayers.

Finally, I would encourage the Secretary to consider carefully, the structure of any negotiated rulemaking teams.

Negotiated rulemaking provides an incredible opportunity for the development of well-informed, meaningful and just regulation. To get there though, requires appropriate representation, knowledge and skills at the table.

In the program integrity negotiated rulemaking, it was clear that that was not the case.

The agenda was too broad, covering nuance, academic topics, such as the appropriate assignment of credit hours to courses, to nuance financial aid regulations, covering disbursements in programs delivered in modules within a semester.

The most extreme example is a discussion of credit to clock hour conversion, of which only one team member, primary or alternate, had any experience.

Additionally, while much of the focus of the rulemaking was on private sector institutions, this sector had only one institutional seat at the table, reflecting a false presumption of homogeneity in this sector, and none of the student representatives, again either primary or alternate, had any experience with the private sector institutions.

Without appropriate representation in both experience and expertise, any discussion is bound to default to anecdote an assumption.

It is imperative to the development of reason and sound regulation, that appropriate representation and expertise be at the table, and we encourage the Secretary to consider such, when forming the teams and agenda.

Thank you again, for this opportunity.

MODERATOR McCULLOUGH: Thank you very much.

We will adjourn for a break now, until 20 minutes of 11. So, until 10:40 a.m. Thank you very much.

(Whereupon, the above-entitled matter went off the record at approximately 10:30 a.m. and resumed at approximately 10:45 a.m.)

MODERATOR McCULLOUGH: We will reconvene the hearing now. I'll give everyone a minute to sit down.

Okay, yes, Barbara Hobitzell, excuse me, we're reconvened.

MS. COOLIDGE: Yes, I'm Nancy Coolidge, and I'm substituting for Barbara Hobitzell. Barbara is -- and I together, are representing two different threads of interest at the University of California.

We work in the Office of the President, the System Office in Oakland, and we have 10 campuses around the state, and we have about 230,000 students enrolled in our main campus, not including our extended learning and extension programs. That is just the main campuses, the degree programs.

We are the smallest of the three public sectors in California. The largest is the Community College, with several million students, and the next is the California State College system. We are the smallest, and ours is a Carnegie One Research University.

But we have a fair amount of interest

in maintaining access for our students to Federal student aid, which is a critical element in financing low-income young people who come to us.

I'm here today to start with Barbara's testimony, which is largely about interests that have to do with the business side of the house.

Obviously, financial aid includes the disbursement of money, the handling of exit/entrance interviews in some cases. In many cases, they handle -- that part of our institution handles the recovery of institutional loans, some of which include Perkins loans, which are also Federal, the campus-based loans.

So, our most pressing issues are on the financial aid area, but we have a few in this area. So, let me start with those.

We are very interested in maintaining flexibility, as to how students receive their value from student aid. So, we are looking for improvements in the cash management rules.

We do not want to see any particular vehicle eliminated.

For example, there was a mention of the evils of cash cards, or debit cards. Anything can be misused and evil. Bank accounts that students themselves have, can be very overpriced, and that isn't to say there should be no standards.

We certainly use some of these instruments, but the students have access to cash, they have ways to replace lost cards, they have no fees or fees that are similar to what a bank account would have for various services that -- for instance, if they want to transfer money to another place, there is a service charge for something. That would be true for a bank account.

But what we have negotiated for our students are excellent prices and services in connection with these, for which the university experiences no revenue.

We agree that that creates a conflict of interest and should not be part of this, but just as a way to manage cash, most of our students do not use these. We use these for un-bank students.

We have un-bank students, and we need something, and it's a very small group of students. It's not our fallback position. Almost all of our students want electronic funds transferred to their bank accounts, but we don't think that eliminating any particular way of managing cash makes sense.

I think that setting standards for the prevention of abuse makes sense, and we would like to see that negotiated in more detail.

We also would like to see de minimis practice -- I mean, de minimis amounts of refund money get better attention.

I worked years ago on negotiated rulemaking, where amounts were agreed upon that today, seem -- which at the time, seemed reasonable for refunds, de minimis amounts, and now, they don't seem refund -- reasonable at all.

So, saying that a dollar is worth generating a refund, it may -- if a student requests a refund for one dollar or less, we certainly provide it, but we would like to see the de minimis amounts allowed, that when students are continuing with us, to be pushed over to their next term, so that we aren't generating these tiny balances to students.

I think there is a number of places where de minimis consideration of cash for -- involving -- potentially mixed with Federal aid, should be reconsidered, that we need to think about the amounts again.

We would like to see amounts for students who have small debts that are outstanding right now.

There is very tight rules about what can be used from this year's financial aid, if it's put on the student's account, that can pay off things that were debts the student acquired in a prior term, and the level of amount is very low.

What we wind up doing is holding up aid and holding up registration, to get these things paid off, and that winds up being an administrative burden and a big hassle for the student.

We agree that these amounts should be small, that they should not make a big impact on the student's ability to function with the aid that has been carefully allocated for the current school year.

But we want to -- again, it's similar. We want to revisit the amounts and see if that can't be made more reasonable, given the current practices of students and the fact that almost all cash now is handled electronically.

Another topic on our business side of the house is that our software developers, believe it or not, are running into situations where the fact that there is only five digits of space for students to report on untaxed income and other assets, the value of assets. We need at least six such spaces.

I know this seems very knit-picky, but what is happening is, some very well-off people are getting Pell grants, and we need to see that the layouts are made more appropriate for today's values.

Some of this is just updating. We want to make sure that if parents have untaxed income that exceeds $99,999, that they have a way to report it, and given the business write-offs that are significant these days, it's not impossible for a family with those kinds of asset amounts and those kinds of untaxed incomes, to actually qualify for need-based aid, and we didn't think that possible a few years ago, and we now see that it is. It's not frequent, but it's becoming more frequent.

So, again, this -- I have -- when I turn in the written version of this, which we'll do electronically, as per your directions, it will actually give the citation of the -- the reference edits in the technical manual, where we think -- that needs to be addressed. So, we're giving you the particulars of where our software people want help here.

We also want to emphasize that entrance and exit counseling is becoming a bigger deal.

We did a small pilot investigation of students who were given the standard entrance and exit activities, and then others, who were given intensive information at the point they needed it, when they were entering repayment, which was not at the time we do entrance and exit counseling.

The only meaningful memory that we could detect was happening when students had to make payments, had to make decisions.

The fact that we told them these things four or five years earlier, the fact that they were introduced to it, the fact that they knew the terms and what they meant, didn't seem to be meaningful in their decisions about repayment.

The time and content of counseling needs to be re-thought.

We're not suggesting the abandonment of all financial literacy at other points, but it doesn't seem to be retained and have a meaningful impact on borrower decision making, if it isn't made at the correct time, and messaged in a meaningful way for students.

We want to reconsider whether some of the -- that the current requirements are really serving much purpose.

I want to now move to the testimony that I've prepared to give in my own name, that I -- that has to do more with the financial aid side, and the truly biggest issues, University of California wants to see negotiated, has to do with -- and I heard this voiced by others, not always for the same reasons, quite the opposite, in fact.

But we want to see more attention paid to how students who are at the mercies of the servicers, are handled.

The contracting that the Department of Education has with their paid servicers really needs more attention, and we are particularly concerned with students who are seeking to use their benefits and their entitlements to alternative repayment plans and to IBR, be able to do so more efficiently and more effectively.

It is still fundamentally a paper-based activity, even if one considers scanning to be electronic, scanning information and having it sent to the servicers still requires the servicers to connect it to the borrower.

The biggest issue we have is our borrowers saying, "We sent this, that or the next thing in," and they saying, "We didn't get it," even almost in real-time. These are gaps. We don't know why.

I have worked directly with some of the students seeking these kinds of resolutions, seeking alternative repayments, and found that the cumbersome and protracted nature of the give and take necessary, and this is particularly true for borrowers who have managed to get into IBR, and who come up on an anniversary date.

We need these anniversary dates for renewing IBR participation, to be made consistent with the way the IRS accepts submissions for tax filing.

We need -- even if it means an 18-month gap, and the statute says it has to be annual, we need some kind of regulatory interpretation, that allows for a borrower who is renewing, to be able to point to his -- or give permission for his IRS information to be released, and that his renewal of his IBR status can be based on that, even if it doesn't coincide with his anniversary date technically, that that seems to be creating enormous workload for borrowers, but also for the staff of the servicers.

I think we could eliminate a huge

amount of this, if we could coordinate these dates, and borrowers -- I don't think borrowers would get away with huge incomes and small payments for very long.

I mean, I think that if that's the concern, we're not -- the Feds are not losing -- the Federal fiscal interest is not being hugely disadvantaged by this. This is really much more of an administrative issue.

We need to coordinate the anniversary dates with the tax filing dates.

We are very concerned about the borrowers who have resources to make small payments, and I think this was -- I'm echoing now, some of the previous speakers, being asked to make -- or being put in administrative forbearance, their interest accrues, they don't know what end is up. The borrowers are winding up with much bigger debt.

We've even had -- I did a radio program on forum, where I talked about, you know, the good things about IBR and how borrowers could find themselves in IBR if they sought it, and they were persistent about it, but I got a call -- I got actually two calls, from individuals saying, "It's a scam, it's a scam, because my debt increased," because they would end in negative amortization.

So, I think more information needs to be conveyed to the people who are being put in forbearance and who are in IBR, if the amounts that they are required to pay are not sufficient to pay the interest they owe.

There needs to be a highlighted feedback system, so that even if they need that repayment and they choose that option, they understand that their debts will get bigger. They need to be given that information, so it doesn't feel as though, "I've been set up. The Government is now extracting more from me, than is appropriate." I think that that kind of information about negative amortization could be much better highlighted.

We're asking credit card companies

these days, to show what it would take, you know, 37 years to pay off your $5,000 debt, and what it will cost you.

I think that kind of model, which is fairly easy for people to understand, I'm not totally convinced that is the best, but it's a step in the right direction, to disclose to people, what you're now looking at.

So, the minute a student picks a repayment plan, they get that kind of feedback, "And oh, if you do this consistently, here is what this looks like."

So, we are collecting Federal data -- we are submitting Federal data that today, meets -- it seems to us, to be kind of ridiculous, and we're not submitting, although you're now starting to ask for more Federal data -- information submitted to you, that is meaningful.

But I think what we need to do is go back and realize that the FISAP particularly, collects information, that is just not useful to the Federal Government at this point, or that you can already access, perhaps in a more accurate way, from other Federal sources.

So, I am asking for review of all the Federal reporting required of institutions, so that we can make sure that it's useful to you, and it isn't just routine for us.

There is things that you know better than we. These Pell grids that we make, seems that that sort of thing could be more easily done with data that is already submitted.

But we ask that you would look at -- and we would work with you to negotiate, but look at the other Social Security Administration, the IRS, the Department of Homeland Security, the Department of Labor have data that I think would be useful to the Department of Education, in making policy and making decisions, and right now, we're reporting to you, things that we think are like anachronistic, we'd like to stop.

Let's see, Perkins loans, the current Perkins loan program is under great scrutiny by lots of parties. The Obama Administration wants to convert it to an unsubsidized program.

The current statute is definitely dated, never was particularly effective, but the sunset language in the statute is unworkable.

It's very out of date. It's unworkable and other kinds of sub-regulatory guidance we have received need to be reviewed and negotiated.

We do not have anymore, a meaningful referral program, which is in statute. We can no longer refer Perkins loans to the Federal Government for assistance in recovery, and the assignment process is again, very labor intensive.

I know other members of the FSA staff have said how disappointed they are, that schools like mine haven't been better at assigning debt back -- old debt, uncollectible debt, back to the Federal Government, back to their resources, and we -- I think that is a reasonable point, and we should do better.

But I also think that the process needs to be made more efficient, so that it is not quite the circus it is today.

Right now, there are deadlines that are very specific with the servicers who handle this, and if you send it in at a time when they aren't prepared to handle it, they send it back.

If you send it in and it -- each loan, each loan from each institution, for each borrower has to be given a cover letter and has to be sent on paper. There is no electronic process.

This is a process that needs more attention, and we'd like to work with you because I think we could do better about getting these uncollectible debts off the books and back to you, but we definitely need relief on the administrative side, and I think from a political point of view, the Department of Ed needs to review the statute that is in place, to get something updated, in the event that they really want the return of these assets.

I don't think right now, that what we've got on the books would result, if we stuck to it, in regulations that would be workable. I don't think we could really do it. Not only could we not do it, quite frankly, the people that you currently employ to accept assignments couldn't do it either. I'm pretty convinced of that.

The current -- now, we have a situation where an increasing number of our students at places like mine, that have big graduate populations, and that have students who need Federal loans, that didn't used to borrow at all are borrowing.

We'd like to ask that given we have an electronic FAFSA, that you design it in such a way that there is this point at which you start asking students for their financial information. You have a warning, "If you do not complete the following sections, you will not be considered for Pell grants or SEOG or Perkins loans, or institutional, and possibly state aid."

"So, you must submit this information in order to be considered for that, but if you do not, you will be considered for unsubsidized student loans," or in some cases, it could be parent loans.

But I think we need -- now that we have an electronic form, it makes sense to not have every single FAFSA filer struggling with the financial data, because many -- it's not going to matter.

We have a -- none of our graduate students can get subsidized loans anymore, and we do have some of our graduate programs that use the information from the FAFSA, to award institutional aid.

So, the student would be warned, "If you don't do this."

Now, if there are students who do not feel they're going to qualify or don't care, or whatever, but I think what we need is to give a more flexible FAFSA, to make it more efficient for people to apply, and if they apply and don't get all the aid they want, they won't make that mistake twice, because I think that the state aid in California all depends on filing the information on the FAFSA.

So, we understand that almost all of our undergraduates are going to need to file the complete FAFSA, but I've been asked by my graduate and professional degree programs, where students are now using these loans, to please make a possible -- make it possible for them to give all the demographic information, and not have to fill out the financial information, since they are not going to qualify.

MODERATOR McCULLOUGH: Okay, Nancy, I'm sorry, your time is up.

MS. COOLIDGE: On Barbara's too?

MODERATOR McCULLOUGH: Yes, because you switched testimony. So, you said, "I'm now moving from Barbara to Nancy."

MS. COOLIDGE: And I did that on her time?

MODERATOR McCULLOUGH: Yes, yes.

MS. COOLIDGE: Okay, can I have my time now?

MODERATOR McCULLOUGH: No, no, no.

MS. COOLIDGE: No? I'm done, okay.

MODERATOR McCULLOUGH: You used up both. Sorry about that.

MS. COOLIDGE: Okay, we are interested in discussing other issues. So, and we will submit it in writing, and get more of it in writing.

MODERATOR McCULLOUGH: Thank you very much.

MS. COOLIDGE: Thank you.

MODERATOR McCULLOUGH: Anthony Guida?

MR. GUIDA: Thank you. I'm Tony Guida, here on behalf of Education Management Corporation, and I appreciate the opportunity to present some issues that we'd like to be considered. Like others, we'll have a more detailed submission, and I just want to highlight three today.

One being the adverse credit history requirement, under PLUS Loans, some comments on gainful employment, and some briefs comments on state authorization.

Education Management's institutions, which include the Art Institute, Argus University, Brown Mackie Colleges and South University, and the Western State College of Law, serve more than 132,000 students in 32 states.

Our colleges and universities to date, have graduated more than 350,000 students in fields such as law, pharmacy, healthcare, clinical psychology, education, the creative and culinary arts and many other fields.

We're proud of our record of student success, particularly with the largely ignored population of students who are considered high-risk of not completing their education, due to the barriers and challenges they face.

We also agree with and fully support the Department's long term agenda, as indicated in the notice, to address the issues of access, afford-ability, quality and degree attainment.

In fact, our institutions have collectively set a goal by 2020, to have one million graduates, to really focus in on degree attainment, and we will accomplish this by reducing the net cost of attendance that are attaining a degree, significantly improving student retention, and significantly improving the number of students who graduate with successful outcomes.

And just by example, Argus University's Art Institute of California has, over the last several years, reduced the net cost of attaining a degree by almost 10 percent.

The Art Institutes have not nationwide had a tuition increase in more than two years, and we've recently announced through the Art Institutes, that they will not have a tuition increase until 2015.

There -- in this vain, there are two issues that I think in the near term, can have a significant impact on the long term goals that were mentioned, either positively or negatively, and those are Parent PLUS Loans and the gainful employment rule.

Regarding Parent PLUS Loans, the Department's new strict and exacting application of the adverse credit history requirements, beginning in October 2011, has led to a significant increase in the denial rates of parents for both new and continuing students.

For continuing students, this means that parents with no change in their credit history have been denied, after having previously been approved for a PLUS Loan.

For us, we've had thousands of their children who had no way to continue financial aid at our institutions, and they end up with debt and no degree, which is kind of the opposite of the long term goals that were announced in the notice.

During the -- for example, during the first year that these changes went into effect, the number of PLUS Loans originations declined by almost 20 percent across all of higher education, and I think that Art Institutes particularly, because we have a significant number of dependent students. In Historical Black Colleges and Universities, the percentages were much higher.

A similar year over year decline has occurred during a current -- the first nine months of the current award year, and unfortunately, the students it impacted are by and large, our best students.

They're more likely to succeed because of their full-time status, their parental support, and things of that nature.

What we're asking is that the Department take a more sensible approach on the front end, of reviewing PLUS Loan applications, such as setting minimum thresholds for charge-offs that result on adverse credit findings, like $500.

A lot of times, the adverse credit is being determined to exist in loans being denied for small doctor bills that have been charged off and things of that sort.

Further, because the current approach is having a significant impact now on the stated goals, we ask that the changes to the under-writing criteria be made immediately, as opposed to waiting for a negotiated rulemaking session, that really won't take effect until July 1st of 2015, and in this regard, I think it's important to recognize that the changes that resulted in the significant increase in denial's were done without any rulemaking session.

So, our view is that it can -- you know, some of the changes that maybe could be made to right the situation, could be done without a rulemaking session.

Regarding the gainful employment rule, we share the Department's goal of ensuring that students enter into programs with a full understanding of the cost and the economic impact of their decisions to enroll.

That they receive a quality education, they achieve positive outcomes and they don't incur excessive student debt, and we've long been a component of enhanced disclosures that provide transparent cost debt and student outcome information, that allows students to make informed decisions.

If you look at the landing page of any of our campuses, for our 110 campuses, on each landing page is a consumer information button where all the information that needs to be provided is two clicks away for the student.

It's been recognized as a best practice, and it's something that, you know, we support and would encourage others to do, as well.

The prior gainful employment rule however, we believe incorrectly focused primarily on debt incurred by students, which effectively predetermined program success, based on the ability to enroll students who were wealthy enough, that didn't have to borrow money.

As evidenced by the strong correlation between Pell eligibility under the prior gainful employment rule test and failure under the test, this approach would have reduced access to low-income, minority and under-served students, based on the factors that cause them to be disadvantaged in the first place.

If you pursue the gainful employment rule, we believe there is a proper balance between student access and student success, institutional accountability measures, that focus on progression through postsecondary education and eventual outcomes, including retention and completion, employment outcomes, debt repayment and return on investment from both the student and the taxpayers perspective, which should be the focus, and in our written submission, we'll provide more details in that regard.

But really, instead of addressing concerns about student over-borrowing and isolation through a gainful employment rule, we believe the Department should work with Congress, through the HEA reauthorization process to develop a comprehensive and coordinated policy that applies to all of higher education, that requires transparency and accountability, that measures student outcomes that are normalized against the populations that are served, and it also reconciles the existing laws and regulations to make sure that any conflicts of the -- that are created during the rulemaking process are resolved.

We believe this is the best approach to achieve the long term goals of the Department, while at the same time, preventing a multitude of unintended consequences.

The last issue I wanted to talk about was state authorization, and not based on the call of the notice, the online piece, but the on-ground piece.

The Department has recently published a colleague letter, that provides that one-year extension of the state authorization requirement for those situations where the state has provided an institution with a letter that describes their efforts to come into compliance with the rule.

I mean, we're licensed in over 30 states, and many states, several times over, because the vast majority of our students are Bachelor's degrees and above programs, and what we're finding is confusion, as to whether or not states comply or not.

The states aren't sure whether they need to do a letter, you know.

A lot of them have had discussions with the Department over the last several years, and thought that they had gotten guidance and a lot of times, amended their laws to come into compliance, and only recently to find out that the current position of the Department is that they may not be in compliance.

So, what we would ask is that the extension be granted for a year, without regard to whether there is a letter or -- and it would almost have to occur immediately, that the Department would publish its position on a state-by-state basis, on an agency-by-agency basis, as to whether or not the protocols and the procedures that are in place comply with the state authorization requirement.

If not, there is going to be continuing confusion and our fear is a significant negative impact on student's eligibility, through no fault of their own.

Thank you for the opportunity to make these comments.

MODERATOR McCULLOUGH: Thank you.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Richard Winn? Good morning.

MR. WINN: My name is Richard Winn. I'm the Executive Director of the Western

Association of School and Colleges, Senior College Division. We accredit 170 or so institutions in California and Hawaii and Pacific Basin and beyond.

I want to speak very briefly, and very narrowly, about an issue that has really come to focus only in the last few days in full force, and in some respects, even within the last 24 hours, relating to state authorization as it plays out in our distinctive and lovely State of California.

We represent 131 private institutions, that have been placed in a very difficult choice situation.

Let me give you just a moment of context. Several decades ago, working with the California Legislature, California generated a position known as the WASC exemption, and this means that an institution that has been recognized by the State, once it becomes accredited by WASC, it is exempt from the jurisdiction of the state oversight group.

Subsequently, the state created what is known as the Bureau, which was designed specifically to prevent fraud and abuse among mostly unaccredited institutions, the kind that you've been hearing today, often are the problematic group.

This agency has struggled to preserve some sense of dignity within the state. It was actually defunded a few years ago, and left dormant for several years.

Now, has a small staff, operating in the Department of Consumer Affairs, and struggling to catch up with the backlog that accrued during their time away.

But as the only existing state recognizing agency, the state authorization mandate has required that institutions register with the Bureau, or run the risk of losing Federal aid, which is a very high stakes risk.

However, in urging institutions to register with the Bureau, in so doing, they are obligated to surrender the WASC exemption, and this exposes them, these dignified, established WASC accredited institutions to be subject to the same kinds of jurisdictional oversight as are the under-accredited entities.

They are -- they were -- we saw an email circulating yesterday from the Bureau, stipulating that they must make a decision to either surrender their Title IV eligibility, or surrender their WASC exemption, and make this decision within 30 days, and it's an irrevocable decision.

Once the decision to surrender the WASC exemption has been made, it is not recoverable.

This would subject these private institutions, including some of the best in the nation, to paying into the Student Tuition Recovery Fund, which is a fund designed to come to the aid of students when an unscrupulous or unsupported entity collapses and the students are left without a degree.

They would be subject to the various

kinds of regulations, which are very compliance oriented, that would apply to all entities in this -- including the unaccredited ones.

Our request very simply is a little more time, time to engage with Sacramento, to arrive at a clearer understanding, perhaps a more suitable arrangement that would qualify the state agency both under Federal policy and be appropriate to the kinds of institutions that WASC accredits.

Time to help our institutions understand what it means, what the implications are of the choices with which they are faced. Time to absorb the meaning of these various regulations, as they presently impact us.

As Tony mentioned a moment ago, there is a one-year reprieve, in terms of actually implementing, but the Bureau has made it clear that institutions must, by the end of June, declare which way they are going.

We feel this is an unfortunate imposition on our institutions, and we would hope that there would be some collaboration between the Federal office and the State office, to give us the breathing room to figure these matters out. Thank you.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you.

MS. MICELI: Thank you.

MODERATOR McCULLOUGH: Rigel Massaro, good morning.

MS. MASSARO: Good morning, and thank you for the opportunity to testify.

My name is Rigel Massaro, and I am a policy and legal advocate with Public Advocates.

Public Advocates is a non-profit law firm and advocacy organization that has challenged the systemic causes of poverty and racial discrimination for over 40 years. So, all Californian's have the building blocks to thrive.

We're here to reinforce the message that taxpayer funded Federal financial aid should not flow to wasteful career education programs, that leave students buried in debt they cannot repay.

We support a strong gainful employment rule, rules to prevent schools from evading current laws designed to protect students and taxpayers, and meaningful state authorization requirements.

Public Advocates' motto is 'making rights real'. We work to turn Constitutional rights and legal promises into opportunities for those most often closed out, short-changed or forgotten.

On Valentine's Day 2012, our President Jamienne Studley testified in Sacramento on California's oversight of private postsecondary education, saying, "In elementary and secondary education, we insist that the right to a public education means not just a school door each child can walk through, but a genuine and comparable opportunity for every child to learn."

If our goal were to provide low-income neighborhoods and individuals access to good banking services, we would not count opening more pay-day lenders a success.

The chance to go to institutions that graduate less than a quarter of their students or that place only a small number of students in secure jobs, does not count as success.

The goal of our higher education system is often described as providing access to college and career opportunities, but access alone is not enough. We have to ask access to what?

At Public Advocates, we are particularly committed to increasing access and successful completion for low-income students to quality programs.

The most vulnerable students, first generation college goers, students of color, retooling workers and returning Veterans disproportionately and in growing numbers, attend career programs and so, do disproportionately in programs run by for-profit businesses.

To assure that career programs achieve sound outcomes and prepare students for stable family supporting jobs, we need a robust Federal regulatory framework, including a renewed gainful employment rule, reinforced by effective state oversight and complaint systems.

Last year's Federal District Court decision upheld the Department's clear authority to enforce this statutory gainful employment requirement. It recognized the Department was attempting to address a serious policy problem.

The Court described the Government's fully justified challenge in this vivid language.

"Concerned about inadequate programs and unscrupulous institutions, the Department has gone looking for rats in rat holes, as the statute empowers it to do."

We need you to re-double your regulatory commitment to the search.

Even the initial modest gainful employment rule drove important changes to the benefit of students.

Colleges shut down some of their weakest programs, reduced tuition to ensure students did not incur unmanageable debt, made efforts to ensure entering students were adequately prepared, and offered students trial periods before laying claim to their Federal aid.

But after last year's Court ruling, industry analysts made clear that if the Department doesn't promptly follow through with rigorous rulemaking, there is a real risk that companies will reverse these reforms.

In addition to supporting a strong gainful employment requirement for all career training programs, we recommend stricter provisions for reporting cohort default rates and revisions to 90/10 calculations, to change the handling of Federal funds, other than Title IV.

The Senate Health Education Labor and Pension Committee's two-year investigation revealed that career programs, disproportionately for-profits, are postponing payments to students and placing them in forbearance or deferment, in order to manipulate their CDR's and the 90/10 calculations.

These practices are unconscionable and must be addressed.

Finally, the Department should insist that states shoulder their responsibility within the triad for clear, effective consumer complaint processes that cover all programs.

As the National Advisory Committee on Institutional Quality and Integrity's report reminded us, states have an important consumer protection and investigatory role to play, to ensure qualities within their -- quality within their borders and nationwide.

Here in California, we are collaborating with the state and school communities to ensure that all private and postsecondary schools are state authorized for the information and protection of students and taxpayers.

Public Advocates is also promoting effective regulation of postsecondary institutions operating in California.

Last year, we helped shape and secure support for Assembly Member, now Senator Marty Block's Student Disclosure Bill AB2296, which Governor Brown signed last September.

This Bill strengthens student -- a school's performance disclosure profession -- requirements, to provide a fact based counter-weight to aggressive and all too often, misleading recruitment practices employed by schools with lavish marketing budgets.

It requires institutions regulated by California's Bureau for

Private/Postsecondary Education to report accurate information about their performance, including the salaries of the school's graduates, and the share of the school's borrowers who defaulted on their student loans.

The rigorous measures in this statute could be a model for the Department and other states to use, in the quest for data, clarity and comparability to increase wise choices.

My comments today are situated in the unusual higher education marketplace, we have described before as characterized by information that is hard to verify and compare, severely limited state resources for public institutions, private companies profit imperatives, an open spigot of public funding, and disproportional enrollment by low-income and minority students in for-profit schools.

Even without red flags, a market of this type deserves careful monitoring by policy makers and advocates. As you know, however, the red flags are flying.

Many types of postsecondary institutions can help meet the nation's need for college and career training, as long as they operate with integrity and transparency and provide students quality programs.

As we look ahead to regulatory and eventually statutory changes to better protect students and taxpayers, we encourage the Department to grapple with whether there are appropriate distinctions between non-profit charitable schools and businesses that provide training and education, that warrant tailored treatment.

While gainful employment is based on programs and not ownership, as Bethany Little of America Achieves suggested in the Washington hearing, it's time to recognize the difference between non-profit and education programs with responsibility to the public, and for-profit colleges owned by a company, traded on a major stock exchange or by a private equity firm, with obligations to make a profit for owners and shareholders.

For too long, this issue has been obscured, as owners of for-profit colleges have asked policy makers, shouldn't the Department treat for-profits and non-profits the same? But this is a trick question.

By choosing to be for-profit, they are less regulated already. They have rejected the obligations of charitable organizations and significant regulation, specifically aimed at preventing abuse of vulnerable populations.

This difference brings us back to my opening point. As Civil Rights advocates, we insist that access must be to the quality that regulations are designed to ensure. Access without quality is no access at all.

We care, as we know you do, because so much is at stake for disadvantaged students, for the nation's economy, for the effective use of state and national education funds, and for responsible oversight of this burdening sector.

Together, we can assure that postsecondary access and quality are inextricably linked.

The good news is that you have not only a big challenge and a serious responsibility, but also the tools, the recommendations and the chance now, to make an important difference for many students. Thank you.

MODERATOR McCULLOUGH: Thank you. Matt Haney and Raquel Morales. Okay, they have not signed in.

Okay, Margie Carrington and Linda Williams. Okay, very good. Good morning.

MS. WILLIAMS: Good morning. What did I miss?

Okay, my name is Linda Williams and I represent the California Community Colleges, CCCSFAAA. We have 112 community colleges here in California, and we serve 2.4 million students here.

Most of our Federal aid dollars

actually don't support the institutions. They flow right through our campuses and right directly to our students, keeping that in mind, as we go forward with this discussion, or with this comment, as it relates to student loans.

California Community Colleges are the largest and lowest cost systems of higher education in the country, and we recognize the need for students to have the ability to receive Federal student loans.

Ironically, it's the only program that is an entitlement program.

However, our colleges are held accountable for loan defaults, and we have very little control over the amount a student should receive while attending a California Community College.

In addition, cohort default rates are not an accurate reflection of student borrowing for schools with relatively few borrowers, but continue to be represented to the public as a measure of institutional integrity.

The following recommendations will help control fraud and abuse and are made in the interest of maintaining access while also maintaining program integrity, institutional compliance, providing students with appropriate support to receive their educational goals.

We would like for you to consider to allow institutions flexibility, field professional judgment and setting loan limits for segments of their student populations based on total indebtedness, protected future earnings and other factors. This will assist in the abuse of the student loan program.

Provide authority to deny loans on a much broader level. Allow loan repayment using payroll deductions. Provide an automatic waiver of reporting of the cohort default rates for institutions that meet the low participation rate index calculation.

Although statute requires a cohort default rate to be calculated for all schools, there are institutions that should be eliminated from that report based on the basis that there are so few student borrowers, that the rates are misleading and meaningless.

I have a colleague who has two borrowers, one is in default. That is a 50 percent default rate, and it's reported on their website. It's just not an accurate reflection of what is out there.

Satisfactory academic progress. This is an abuse piece.

Students are reaching their LAU limit before completing their academic programs due to the number of ESL units they're taking, not that we shouldn't offer ESL units, but the current regulations for financial aid eligibility restrict the maximum of 30 remedial units, but allow institution to determine how ESL units will be treated for satisfactory academic progress.

We feel that SAP regulations should treat ESL units similar to remedial units, and be limited to 30 units, so that our students can maximize their LAU's, and meet their transfer goals.

Our campus based programs. Campus -- change campus base allocation formula, so that schools who are truly serving low-income students, such as the California Community Colleges, receive funding to support the truly low-income student.

We strongly support the initiatives that the administration has taken to include this in their budget and reauthorization proposals.

Allow Federal work study jobs located on campus, child-care centers that serve students and staff to be included in the calculation of community service placements.

Currently, a campus child-care center must serve some member of the community that are not associated with the institution, in order to be defined as community service.

However, the fact that these students are enrolled, they are also community members.

State authorization program. This will be short and sweet, since this has been so addressed.

We support having the Federal Government step away from it, let the states -- we believe that the states required authorization for institution to deliver distance ed within their borders. They should be prepared to enforce those laws.

Cash management. The majority of our community colleges have a pass-thru or a third-party vendor that we use. We used to have more than one, but with the recent merger of Higher One with Sallie Mae, it's made some -- it's made some really big -- I can't think of a right word, that I would want recorded.

But anyway, so, you got it. Insert there.

Okay, most of our colleges use some form of a third-party refunding method, since the majority of financial funds are treated as a pass-thru to our students.

We recommend that the cash management regulation in Section 668.165(b) clearly require institutions that disburse funds via debit cards, to provide students with an alternative method of receiving funds, such as checks or electronic deposits.

Providing an alternative disbursement method addresses concerns of those students who may not have bank accounts or are uncomfortable with a debit card or not bankable.

We recommend that third-party vendors be prohibited from providing incentives or reward funds or services to institutions in exchange for doing business.

We also recommend that debit card vendors be prohibited from marketing products to students and be required to disclose partnerships or entities in which they have an interest that market products to students.

Then we have some additional recommendations.

Consumer information and requirements for disclosure has become so burdensome and numerous that the usefulness has become lost to the student.

We recommend research and focus groups be conducted to determine the information most useful to our students at the various types of institutions.

We believe that this 'one size fits all' approach targeted to assist high school seniors and their parents select a college to attend does not really provide the best information for graduates -- for our entering students or re-entry students or other non-traditional students.

This is really big for our community colleges, because this next topic is taking away the much needed resources that we need to deliver aid to our students, and that's the return of Title IV.

Because we are a pass-thru school, the majority of us, we would like consideration to be exempted from the return to Title IV, institutional repayment calculations when no tuition is charged to them.

The majority of our students are receiving a Board of Governor's fee waiver.

The liability to our colleges has compromised resources to needed -- that is needed to administer our financial aid programs. We would like to eliminate post-withdrawal disbursements, beyond the amount of institutional charges.

Consider allowed institutional charges reported to NSLDS as a grant over-payment.

The abuse occurs when a student is allowed to attend new institutions, and not in the game, or they're not being held accountable, when all the is -- that we had to do is to have the institutions repay funds to the Department, and so, schools -- students are getting away a huge abuse there.

Limit to the use -- limit of use,

limit the number of times a student can refer to NSLDS as an over-payment.

Eliminate module and clock hours, calculations for unit based accredited institutions. Whether a program is a clock hour or a credit hour program should be determined by the institution's accreditors.

That's it. Thank you. I appreciate it.

MODERATOR McCULLOUGH: Thank you. Brad Hardison, would you be interested in presenting right now? We're waiting, the person who was scheduled a little later -- would you -- is that okay with you? Okay, thank you very much, Brad. Good morning.

MS. MESSIER: Good morning. Thank you.

MR. HARDISON: Good afternoon. My name is Brad Hardison. I am the Financial Director at Santa Barbara City College, one of the 112 community colleges that are part of the California Community College system you just heard about, which is the largest system of higher education in the nation, serving 2.4 million students.

I worked in financial aid as an administrator for over 20 years, in the University of California system and the California Community College systems.

I am here today before you to comment on a number of topics, four to be specific, that are or should be addressed as part of the upcoming negotiated rulemaking committees.

The first topic I wish to address is cash management.

I understand that the Department of Education is considering modifying and updating the Department's cash management regulations.

While I support many of the ideas of disbursing funds more quickly to students, I would be cautious and mindful about regulations in certain areas.

I believe that the students need to have a choice in the best disbursement option for his or her situation, with transparency of information, including any fees for service.

Any efforts to require a school to use electronic disbursement through EFT or debit cards could harm some students who may have cultural issues about utilizing banking services.

Some students may also have difficulty in obtaining banking services due to prior experience with financial institutions.

I would suggest that any discussions about cash management regulations take into account these concerns, and allow flexibility to disburse to students through paper checks, and non-electronic means, as the situation warrants.

Financial aid is intended for students to assist him or her with the college costs. Unreasonable fees or lack of choice in disbursement options is counter to this notion.

Finally, regulations in this area should address the amount of Title IV aid that an institution can use to pay for prior term charges, to more than $200 with the permission of the student.

Many of students do not understand why this amount is capped at $200. In some cases, our students cannot enroll for future semesters, since they may owe amounts slightly over $200 and have no means to pay the funds, except for the use of current term financial aid funds.

I understand there needs to be a limitation and I'm concerned about student using current year financial aid for past debts, but the amount may need to be revisited in light of current costs.

The next topic being considered from upcoming negotiated rulemaking committees I would like to address is gainful employment.

I support the Department's rationale behind gainful employment reporting and disclosure requirements.

As a member of a community college

that offers career, technical and vocational programs, to prepare our students for employment in his or her chosen field of study, I agree that our program should be held accountable, and not promise employment and/or burden our students with high loan debt, as a result of our program costs.

If we have programs that are not sufficient at delivering the education to assist students in his or her career goals, we should embrace wanting to make the appropriate changes.

While the final gainful employment regulations do not set high enough standards for career education programs receiving financial aid, its overall approach remains sound.

The repayment rate metrics includes the students who do not complete the program, and measures the extent to which they are repaying their Federal loans, while the debt to income metrics include only students who complete and measure the extent to which they consistently have excessive Federal and private loan burdens.

I would however, encourage the Department to come up with reasonable measures, based on collected data, to determine the best approach for the effectiveness of the programs.

The debt to income criteria needs to be modified to address programs where the majority of graduates do not take out student loans.

This would focus scrutiny on programs where debt loans may be problematic, since debt-free graduates cannot have problematic debt loans, and would have added benefits of reducing the administrative burden on schools, including many community colleges offering programs where the majority of the students do not borrow.

It is also important to be mindful about the reporting requirements, to make sure they do not -- they are not burdensome to institutions or duplicative of other data that may be available to the Department.

Another topic that needs to be --

that may need to be addressed at any upcoming negotiated rulemaking committee is fraud within the Federal financial aid programs.

I would be cautious about further regulation in this area until there is time to evaluate the effectiveness of measures put into place by the Department of Education for the 2013/2014 award year, including custom verification and unusual enrollment history.

Other topics, such as cash management, may help address some of these fraud issues, as is related to tracking disbursements.

Ultimately, the Department may need to look at regulations as it relates to verification of enrollment and attendance in the programs, to get at fraud issues where the student only attends enough or minimally to receive the Federal financial aid funds.

Finally, I'd like to raise a topic that is important to me as a financial aid administrator at a community college with a low percentage of our students in borrowing loans.

This is the issue of the participation rate index, or PRI.

By law, colleges where only a small share of the students borrowed are protected from sanctions based on their cohort default rate.

This is an important protection for a community college in particular, where an average of just 13 percent of our students borrow.

However, the Department's process for administering the law is problematic and has led to some community colleges pulling out of the student loan program, based on inflated fears of their risk of sanctions.

The Department has pointed to current regulations as a barrier to improving the process.

Specifically, the regulations should be modified to accept participation rate index, PRI appeals from colleges with low borrowing rates in any year, rather than forcing them to wait until they're at eminent risk of losing their access to aid.

I appreciate the opportunity to share my comments with you today, and hope these topics and observations can be incorporated into upcoming negotiated rulemaking committees.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you very much.

Is Rachelle Feldman here? Has she checked in? No? Is there Russell Poulin? Would you like to go ahead and go now? Thank you.

Well, thank you very much. We're hoping that the students that were supposed to be here, will make it. Thank you very much.

MR. POULIN: Good morning. My name is Russ Poulin, and I'm not a financial aid person.

I represent WCET, the WICHE cooperative for educational technologies. Our mission is to accelerate the adoption of effective practices and policies, advancing excellence in technology, enhanced -- enhanced teaching and learning in higher education.

Our members are institutions, state agencies, multi-institutional consortia, non-profit organizations and corporations from throughout the United States.

WCET operates as a unit of the Western Interstate Commission for Higher Education, which is a non-profit Congressional compact of 15 western states.

My comments will address the following topics that were announced as being under consideration, including proposed regulations designed to prevent fraud, especially in the context of distance education, state authorization for programs offered through distance education or correspondence education, and state authorization for foreign locations of institutions located in the state.

Before moving to those items, I'd like to begin with an overall observation on the regulation of distance education.

In recent years, there has been considerable attention by members of Congress, their staffs, the U.S. Department of Education on the developments in distance education across colleges and universities of all types.

Given the growth of this type of learning, this such scrutiny is to be expected.

In creating regulations, there is tendency to bifurcate programs, courses and students into two categories, distance education and traditional education.

Such a dichotomy no longer fits the educational reality, as faculty are increasingly using technologies and traditional courses in courses of all types.

There are changes to the amount of activities and face-to-face -- in the amount of activities in face-to-face time, as courses become blended or flipped.

Instead of a bifurcation based on distance versus traditional, we now have a rich array of combinations of how much technology is used in a course, and how much face-to-face instruction occurs in a course.

Likewise, students can choose to be distance one term, traditional the next or some sort of mixture in the following term.

WCET suggests a new policy framework regarding regulating distance education and educational technology, and this framework is, is that regulation should not differentiate by mode of instruction, unless the regulations are actually about the tools used in the mode of instruction.

Let me give you an example. It makes sense to regulate as to whether technologies themselves are accessible to those with handicaps.

It does make sense to make financial aid distinctions based upon how the student receives instruction, and I'll give an example in a little bit.

Stop worrying about the inputs. We

apply the move to outcomes and competency based measures as a replacement for measures based on mode of instruction.

Now, onto the first issue that I mentioned, on preventing fraud in distance ed programs.

The problems have been well documented in the Office of Inspector General's 2011 Advisory Report and two subsequent announcements about negotiated rulemaking.

WCET and its membership stand firmly behind the Department, in wishing to combat fraud in distance ed programs, and offer some specific details here.

First we suggest educating more higher education staff and faculty. Preventing fraud currently often falls on a limited number of financial aid and instructional technology staff or in IT staff.

While they bear the bulk of the burden, is often the faculty or other student service personnel who first note anomalies in student behavior, their input would be helpful in creating campus early warning systems.

WCET encourages the Department to work with distance education organizations, to continue in identifying best practices and identifying fraudulent behaviors and disseminating them to key personnel, such as faculty and student support personnel.

WCET is interested in assisting with broader educational outreach to raise awareness of methods to a wider audience.

Second, we ask that you don't differentiate financial rules by mode of instruction.

The Office of the Inspector General's report stated that since 2001, OIG raised concerns about the cost of attendance calculation for distance education students, because an allowance for room and board does not seem appropriate to these programs, which are largely designed for working adults.

Subsequently, a budget proposal

from the Administration included a proviso to eliminate room and board and miscellaneous expenses from the Pell Grant cost of attendance calculations for distance students.

WCET strongly objects to that recommendation. Result would be to punish the innocent.

While many distance ed students are working adults, many are traditional age students, as well. Adults might quit their jobs or reduce their workload to enroll in an online program.

Community students often fit the same working adult demographic profile, yet they would maintain eligibility for these same costs. This is simply inequitable and would have the greatest impact on those with the highest needs.

If the concern is about working adults, then the regulation should talk about working adults and how much they make.

Third, don't confuse financial aid fraud and academic integrity. Fraud is an action of someone, usually in a fraud ring, using fake, appropriated or conspirator's identities to deceive an institution for financial gain.

Academic integrity is an act by a student whose identity is known, to obtain a better grade.

Fraud is a criminal act and many of the preventative measures are up front. Academic integrity is a violation of policy and requires ongoing vigilance.

In my comments that was submitted earlier, WCET has worked with several organizations, and just this week, published an academic integrity self-chart list to work -- help institutions work with faculty to curtail cheating.

While financial aid fraud and academic integrity have some similarities, be wary of 'one size fits all' solutions.

High barriers for proving a student's identity and applying for aid may be appropriate, but could have a chilling effect if the student has to repeat it for each interaction with a course.

Fourth, WCET supports education recommendations on technical strategies to combat fraud.

In their comments that they submitted last year, they talked about using their COMMIT Project, which would enable students to navigate the myriad of systems and service providers potentially involved in applying for admissions and financial aid, using only a single set of credentials.

More importantly, from the perspective of this discussion, it would extend such credentials on the basis of identity assurance on par with that of financial service in the industry. So, we recommend looking into the progress on that report.

On state authorization for distance education, WCET has been very active in educating institutional personnel on both the Federal and State regulations, and we created the state authorization network, so that institutions could help each other in terms of staying in compliance.

Our first recommendation is to allow time for compliance, if you bring the regulation back.

We did a survey earlier this year, and of the 206 responding institutions, 15 percent, only 15 percent have all the approvals required, 52 percent have applied into one or more states, and a third have yet to gain approval in even one state, and this is just of the people who completed this survey. We imagine there is a lot of institutions that didn't complete it, and probably fit into that last category.

Additionally, states are not ready to handle another onslaught of applications, processes, and some states take a year or more, with budget constraints, compliance staffs, and the states have been cut.

Institutions may need at least two

years to be in full compliance, and a re-issue of the good faith effort bench-marks would be useful with more specificity on the definitions of each good faith step.

Next, support the state authorization reciprocity agreement. My colleague and boss, David Loganecker reported on that this morning.

Since the language in the subsequent guidance from 609 was vacated, the Department had been strongly supportive of reciprocity, and the Department should re-state its support for such a reciprocal agreement.

I've been involved with all the efforts to create reciprocity. WCET fully supports WICHE's leadership in implementing the state authorization reciprocity agreement.

The final comments are really questions about the state authorization of foreign locations of institutions located in a state.

Other than appearing as part of the

announcement for the new negotiated rulemaking, there has been little said about the concerns that the Department has about this issue.

WCET was able to confirm that foreign refers to locations in other countries. WCET members have these questions.

Will any provision arising from this discussion apply to distance education? Does this apply to students beyond Federal financial aid?

In conclusion, WCET has a long history of working on Federal policy issues. Recently, we have also begun partnering with other educational technology and continuing ed organizations, and sharing policy perspectives.

Some of the issues that arose from the original state authorization regulation had to do with those who composed the regulation, not fully comprehending the state of the art in distance education.

WCET would be happy to serve as a resource and to work with other partner organizations, several of which I've named today, in helping to craft forward looking regulations. Thank you.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you very much.

Okay, with that, we will adjourn the hearing until 1:00 p.m., when we'll resume.

Now, that I've adjourned it, I will also tell you that our colleagues here have very nicely prepared a little handout. If you want to know where to get food, you can pick one up at the table. Thank you.

(Whereupon, the above-entitled matter went off the record at approximately 11:50 a.m. and resumed at approximately 1:00 p.m.)

MODERATOR McCULLOUGH: We'll reconvene the hearing now with David Marr. Good afternoon.

MR. MARR: Good afternoon. Bear with me, I'm getting over a cold. I've heard other people couching, as well. I'm not contagious, so, you're all safe.

MODERATOR McCULLOUGH: Good.

MR. MARR: But the end of the cold sounds worse than the beginning.

I'd like to begin by expressing my appreciation for the opportunity to contribute to this conversation.

My name is David Marr, and in the time allotted, I will address only one of the topics set forth in the Federal Register.

Specifically, I will comment on the Department's intent to promulgate regulations under Sub-Part K, cash management and with respect to credit balance disbursements.

Many of those who have commented before in Washington, D.C. and other locations represent distinguished not-for-profit organizations. I personally have no such not-for-profit affiliation.

However, I will offer a little bit of insight into my background to add context to the conversation.

Over the past 20 years, I have served institutions of higher education in the area of audit, consulting and as a partner and managing director at KPMG. I am currently serving as the President of Blackboard Transact, Blackboard's second largest software company.

During my tenure at KPMG, I conducted audits under Title IV compliance, specifically OMB circular A133, as well as the Department's student financial aid audit guide, and over the years, became the firm's expert in Title IV compliance.

In addition, I was fortunate to be a fundamental contributor to the design and build of common origination and disbursement, also referred to as COD, the system the Department utilizes to disburse and reconcile financial aid for every Title IV eligible institution, as well as working on other financial systems at the U.S. Department of Education.

At Blackboard, I continue to serve education institutions. Two years ago, after much research, we developed a credit balance disbursement program called Blackboard Pay.

Blackboard Pay was designed from the ground up, to meet the requirements of the most needy Title IV recipients, thus properly serving all Title IV recipients.

This meant ensuring financial aid was immediately available and aligned with the spirit and the intent of the Federal regulations.

Blackboard was designed specifically, Blackboard Pay was designed specifically with the idea of protecting students from fees of other companies and banks that charge, that are egregious and/or were never contemplated by the Department's cost of attendance guidelines.

Throughout these hearings, various members of the community have expressed concerns and/or recommendations related to credit balance disbursements. Many of these recommendations were heart felt and well meaning, however, most did not contemplate their unintended consequences of denying access to lower cost alternatives for students.

Most recommendations accurately addressed symptoms, but not the problem. The problem at its root is the lack of definition as to what constitutes a responsible credit balance disbursement program.

If the Department would fully define the requirements of such a program, all of the issues/symptoms raised will disappear, as long as that program remains and is in compliance.

To that end, Blackboard requests the Department consider the following 10 requirements as a framework of a responsible party -- a program, and I've provided all these comments.

Number one, 24-hour ATM access delivered by a major inter-bank network, that word is key, of surcharge free ATM's with a nationwide presence. Thereby maximizing free and clear access for all students on campus and off campus, including those engaged in a 100 percent distance learning and those not living in the institution's home state.

Number two, prohibition of non-sufficient funds, NSF fees of any origin.

Number three, prohibition of program-initiated PIN or signature based fees.

Four, free personal or counter checks. Five, reasonable and probable access to free cash -- check-cashing. This again, ensures the same free and clear access for both students on campus and off campus, as well as addressing the needs of those distance learners.

Six, prohibition of inactive account fees for periods less than nine months, from the date of the last account transaction.

Seven, if a program is in place, publishing the average and types of fees incurred by students for the most recent Title IV award year.

Eight, prohibition of the marketing of disbursement options by any program provider, other than the institution. I'm going to repeat that. Prohibition of the marketing of disbursement options by any program provider, other than the institution.

However, for banking compliance purposes, the names, logos and marks of the financial service provider shall be permitted to appear on the institution's information pieces, including the student ID card, and i.e., that would be the payment bug, either a Discover, Visa, Master Card, for compliance reasons, those have to be there.

Number nine, prohibition of the sharing of revenue or the receipt of other consideration by an institution from the program provider, including the bundling of non-program services or software by that program provider.

Number 10, disclosure by the institutions that are simple and transparent in their comparison of each disbursement option, including fee schedules, prior to students having to opt into that program.

So, those are the 10 tenets or framework components that we would ask that you consider.

Finally, I will delve into four others, more deeply, the first being debit versus pre-paid card.

Throughout the conversations, I've heard no distinction made between debit and pre-paid card programs, and thus, comments have been generalized, however, this is an important distinction, and the Department actually distinguishes this and makes a distinction between debit and stored-value cards, in DCL GEN 05-16.

A stored-valued card is a pre-paid debit card that could be used to withdraw cash from an automated teller ATM, or to purchase goods from a merchant.

We distinguish a stored-value card from a traditional debit card in this discussion, by defining a stored-value card as not being linked to a checking or savings account.

I would respectfully suggest that this definition is not fully formed. A pre-paid card can be linked to checks and counter-checks, such as we have done with Blackboard Pay.

However, it is still impossible to overdraft and charge non-sufficient fund fees.

The benefit of a pre-paid stored-value card is that it could offer all the consumer protections of another card program, while ensuring a student will never overdraft.

Without a responsible program guidance from the Department, any card and any banking program could be unintentionally or willfully fall short of the intent of the Title IV regulations.

Second, the number of ATM's versus a surcharge-free network. This is too an important distinction.

Since the suggestion of further

mandating the number of on-campus surcharge-free ATM's will not solve the free and clear access problems, because most students will continue, 66 percent live off-campus.

Therefore, it becomes a technical quagmire of how many ATM's must be on campus.

A single ATM or a few ATM's on campus exclude the majority of the student population when spending all or most of their time off campus. This de facto is non-compliant with 34 CFR 668.164.

Additionally, if a student lives on campus, the probability of a credit balance disbursement is greatly reduced since meal plans and housing are allowable charges to be maintained by the institution.

The best possible way to ensure maximum access for all students is to focus on the ATM network, by requiring providers to be a member of a significant inter-bank network of national surcharge-free ATM.

As an example, the All Point Network

has over 55,000 surcharge-free ATM's.

To put this in perspective, this is four times the number of ATM's of the largest U.S. bank J.P. Morgan, and this is tens of thousands more than one of the major providers makes available without a fee, unless of course, those students upgrade to their more costly disbursement service.

Three, bundling of other software and services. Just as inducements were unacceptable during the FFELP days, they are equally so today.

A provider should be prohibited from this practice. The result is the defacto transfer of costs of the bundled items away from the institution and to the students via fees, generated from the vendor’s credit balance disbursement programs, fees that have to be ridiculously profitable to cover such bundling.

Therefore, to avoid this inducement, the purchase of additional items from a single vendor should not reduce the cost of any item more than what is customary and reasonable for those items sold on a stand-alone basis.

Finally, checking -- am I at my time?

MODERATOR McCULLOUGH: Yes, you are. You're at time.

MR. MARR: Would you like me to stop? I'm sorry.

MODERATOR McCULLOUGH: Yes, no, I appreciate you giving it to us.

MS. MESSIER: That is 10 minutes. Thank you.

MR. MARR: Thank you for your time, and I appreciate the conversation.

MODERATOR McCULLOUGH: Thank you very much. Rachelle Feldman?

MS. FELDMAN: Good afternoon. My name is Rachelle Feldman. I am the Director of Financial Aid and Scholarships at the University of California Berkley, and I'm also an Executive Board Member of the National Direct Student Loan Coalition.

I am speaking to you today on behalf of the Coalition, which is a grass roots organization of practicing financial aid administrators from all the higher education segments.

We're dedicated to the improvement and strengthening of the Federal Direct Loan Program and support the institutions and their students who rely on the Federal financial aid programs to make their education a reality.

So, I'd really like to thank you and the Secretary, for the opportunity to provide comments on Federal student loan programs that may be addressed in the negotiated rulemaking process.

I have four topics I want to talk about, and I'll try to talk really quickly.

So, the first is that student borrowers need a seamless front end for loan servicing. Students continue to be confused about who services their direct loan, and there is a fear that the recent increases and cohort default rates may be related to an individual student's ability to know and understand which servicer is holding their loan.

The sheer number of contractors with the non-profits in there, who service loans, exacerbates this issue.

While students might look up the name of their servicer on NSLDS, many don't take that extra step, and they're also confused by mail or email they receive that his branded with a bank's name and not the Department of Education or the direct loan program.

The technology today exists to have a one point of entry website and a one point of entry toll-free number, where students could log-in with information, be directed to their servicer without ever having to know who their servicer is.

Since the Department can always link the borrower to the servicer, other things such as customer satisfaction surveys and performance measures could still be done on the various servicers, without the student having to name the contractor.

The IRS works like this. Tax filers are assigned a private company, but we don't know who we're assigned to and everything is branded as the IRS or Internal Revenue Service.

This service improvement has the potential to simplify the process for borrowers and reduce administrative burden for financial aid office staff, who are spending increasing amount of times assisting former students navigate this unnecessarily complex loan servicing environment, and could help prevent defaults and delinquencies on student loans.

The second area is disbursement options, which the person who testified before me talked about a lot.

So, we think electronic disbursement of financial aid funds is widely practiced and expected by institutions and students alike, and the use of EFT has generated cost savings and efficiencies, while increasing convenience for students.

As new electronic means of fund distributions are developed, such as debit cards, regulatory guidance of these instruments should focus on student needs, security, transparency and accountability.

Students should be able to decide between electronic options for receipt of funds. The access to those funds should be convenient and not limited. They should be available without any fees.

Institutional relationships with any provider should be disclosed, and guidance should prohibit inducements for the institution from that service provider.

We just wanted to note too, that given the rapid rate of technological and instrument advancement, regulatory guidance should be drafted to accommodate new technologies and new instruments as they come on.

The third area is reducing of

administrative burden for aid offices. The first area of that is the FISAP.

The FISAP is the current process used to request and report on Title IV campus based funds, and it needs to be revamped. Most of the data that is on the FISAP is currently available through other Department of ED data systems that could be matched.

Much of the data, like the incumbents that have not changed over time, are not relevant in light of the current funding levels and the current allocation formula, and the categories of information collected are often out of date and of little value of analysis by Department of Education staff.

So, we think a process to review that and collect data that is meaningful and not available from other sources is overdue.

We also want to advocate for some performance based measures and accountability. Consideration for performance based regulations presents the opportunity for reducing administrative burden for institutions, while simultaneously improving student outcomes.

We urge you to consider including performance or outcome based measures in the process to apply for Title IV eligibility, as well as at the annual FISAP.

There are currently important public policy goals that could be targeted as meaningful performance measures, such as average debt at graduation, institutional default rates or graduation and retention rates.

Examples of regulatory relief in areas where regulations are burdensome or in question of value also include a more sort of random list of items.

So, loan prorations for students completing the final term of a four-year degree program. This requirement reduces available resources when students are close to achieving their goal, and often creates an unnecessary burden that is contradictory to the goal of a high graduation rate.

Entrance loan counseling. We urge flexibility in offering counseling at various times in the students career, as meaningful counseling can often be offered at a more strategic time when it's more beneficial for borrowers.

Requirements for awarding SEOG are overly restrictive. Institutions have better knowledge about how to best serve their immediate students, and we think greater flexibility to move funds between the three campus based programs could help institutions serve their students well.

Increased flexibility that would allow a student to authorize use of refunds for prior year or incidental charges would be welcomed and relief for high performing institutions from some of the complex and onerous return to Title IV rules, for students who withdraw, especially from the modular programs.

Then finally, for graduate

students, few graduate students now receive need based funding with the subsidy on Federal loans eliminated, Federal Stafford Loans, and while income data is necessary for some students who are eligible for work study, Perkins or institutional aid, could skip-logic be used to eliminate all income questions from graduate students who are not requesting consideration for those types of aid?

My last topic, hopefully I still have time, is addresses the definition of adverse credit in the PLUS Program.

Over the last year, there have been some changes that seemed arbitrary in that, and so, we think that it's critical that any changes to the PLUS loan approval regulations keep the process consistent and predictable for borrowers.

We understand that measuring a family's ability to repay a PLUS loan is a complicated issue. That needs to balance a measure of that parent's ability to repay against preventing excessive debt burden, which could force a borrower into default.

We urge you to ensure the consistent ability of a parent to borrower over all the years of a student's educational program, avoiding a situation where loan debt from the first year prevents the ability to borrow in the last one.

Lastly, the ability for a borrower to obtain a third-party endorser when credit is denied, as well as a school's authority to deny PLUS borrowing in limited and documentable situations should be maintained.

And I just have to add that finally, although much of the FFELP is statutory in nature and not really subject to this process, it's worth noting that one of the best ways to prevent loan debt is to have a robust need-based grant program, so, we urge anything you could do from the Department and to advocate for students in that way.

Thank you very much again, for the

opportunity to present this testimony on behalf of the National Direct Student Loan Coalition, and I know the Coalition would be happy to participate in the negotiated rulemaking process, and looks forward to it. Thank you.

MODERATOR McCULLOUGH: Thank you.

MS. MESSIER: Thank you.

MS. MICELI: Thank you.

MODERATOR McCULLOUGH: Trace Urdan? Good afternoon.

MR. URDAN: Good afternoon. My name is Trace Urdan. I'm a Managing Director and Senior Equity Analyst for Wells Fargo Securities. I study and write about investment trends in private education for the benefit of both private and public market investors, and I've performed this role for the past 15 years, for various brokerage firms.

I'm here today to provide some perspective on what, in my opinion, was the deleterious effect of the 2009/2010 program integrity rulemaking process on the flow of capital to the private education sector, and to encourage the Department to pursue a more transparent and equitable process, as it plans for its next round of rulemaking.

It's often asserted in the context of the publically traded education companies, that investors value only rapid, short-term growth and drive school operators to make decisions to goose enrollment and profits, at the expense of students and the public interest, but I believe that characterization is misguided.

Professional investors clearly favor growth, but value visibility and predictability in equal measure.

The experience of the publically traded postsecondary sector between January 2009 and August 2010 offers an excellent illustration of this point.

During that period in which the sector topped enrollment margin and earnings records, its market capitalization collapsed roughly 40 percent, destroying more than $13 billion in value.

The story is well illustrated by looking at the PE ratio that is price divided by forward 12-month earnings, which considers not just the earnings expectations per se, but how highly investors value and will pay for those earnings.

In February 2009 when former Deputy Under-Secretary Robert Shireman, the widely acknowledged architect of the last negotiated rulemaking process and perceived critic of the for-profit postsecondary sector was named to a transitional position in the Department, postsecondary equities on a market-weighted basis traded at 22 times forward 12-month earnings.

By April 20th when he was named to a permanent appointment, that figure had dropped to 17 times.

By May, when the Department announced that it would conduct negotiated rulemaking in the area of program integrity, that figure had dropped to 15 times, and the level of concern had reached a point where Mr. Shireman felt obliged to conduct conference calls with investors in the press, to offer reassurance that the sector had not been specifically targeted.

Yet, by January when the first negotiated rulemaking session took place, with topics devoted almost exclusively to the for-profit sector, and yet, with only one representative out of 17 from that sector, the ratio had dropped to 12.5 times, again in spite of record profits.

By August 2010, when the draft rules were released, the ratio had dropped to eight times.

In the two years preceding the release of the draft rules, investors had lost roughly $13 billion.

One can fairly assert that much of the decline was the result of vocal critics of the sector during this period, as well as independent investigations by the GAO that exposed recruiting practices that investors found distasteful.

One might also fairly argue that the prices being paid for education stocks preceding the gainful employment process were inflated by a false complacency regarding regulatory design and enforcement that needed to change.

Yet in spite of these fair points, I would argue that the traumatic two-year process of the negotiated rulemaking unnecessarily chased capital out of the sector, ultimately causing harm to the process of privately funding capacity that our nation has come to rely on to supplement public education options that face limited resources.

Leaving aside the merits of the regulations or the level of animus informing their design, the simple lack of visibility and transparency, coupled with the enormity of their potential impact was for many investors, too nerve racking to bear.

In addition to the collapse in market capitalization, it has contributed, in my opinion, to a volatility that persists in the sector today, which is anathema to most long-term institutional investors.

Today, in spite of three years of record enrollment and profit declines, postsecondary stocks traded approximately 14 times forward 12-month earnings, a slight premium to the long-term S&P 500 average of 11.7 times.

Though well below sector highs, this might be regarded as a more realistic evaluation that incorporates a more subdued and responsible pace of growth and more diligent regulatory oversight, but the process of dropping from 22, to eight, only to climb back to 12 was traumatic and ultimately, in my opinion, unnecessary.

Businesses and their investors value transparency and predictability, and while regulators might well resent the gamesmanship that can occur around a bright regulatory line, a fuzzy line creates a hostile investment environment, which in this case, I would argue, harms the long-term goals of the President regarding college completion.

With the beginning of a new negotiated rulemaking process, I would encourage the Department to make the process less opaque.

Why rulemaking immediately in advance of HEA re-authorization? Why an intricate -- re-introduction of gainful employment and what approach does the Department have in mind?

What will the framework be for selecting participants in the negotiation and who will decide on the group?

I would urge the Department, regardless of its plans for new regulation, to be as open and forthcoming as possible, with not only the proprietary school industry, but also with private and public market investors, so that capital is not further discouraged from this sector, to the detriment of the long-term goals for building postsecondary participation and capacity for years to come.

Thank you for your time and attention.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you. Suzanne Martindale? Good afternoon.

MS. MARTINDALE: Good afternoon. My name is Suzanne Martindale, and I am a staff attorney at Consumers Union, the policy and advocacy arm of Consumer Reports. I appreciate the opportunity to testify today on the Department's plans to engage in further negotiated rulemaking.

I would also note that I am a student loan debtor. I have a lot of debt, more than you want to know, but I luckily went to wonderful schools. I went to Berkley, twice.

So, I knew that I was making an investment in my education that was going to pay off. I was probably going to be getting a fair deal, because I was going to Berkley. Unfortunately, not everyone who enrolls in higher education in this country gets the same fantastic deal that I got, and that's why I'm here today.

For over 75 years, Consumers Union has advocated for fairness in the marketplace. We strive to promote transparency and choice, and we aim to give a voice to consumers whose hard earned money is put to work every day, to invest in their futures and stimulate our economy.

Education is one such investment, a very, very important one and is becoming ever more expensive.

Meanwhile, average household incomes are staying flat, unfortunately. As a result, more and more households in the U.S. must borrow to pay for higher education. It is no longer an exception to the rule. It is simply the norm.

Now, more than ever, then, choosing

a higher education program is an important financial decision, as well as personal, educational one.

This is why it's important to remember that an individual enrolling in school is not just a student, but a consumer of education services, and as a consumer, that student should be given a fair deal, and that's why a lot of us are here today, because we're concerned about that.

Given the financial stakes in today's market, students and their families deserve a good return on their investment. They deserve access to educational programs that translate into personal growth, and increased employability for the student, and increased productivity for the greater society.

Unfortunately, we know that that investment is at risk, especially when it comes to the for-profit sector of higher education, and numbers tell the story.

According to recent data from the

Department, for-profit colleges are enrolling 13 percent of students seeking higher education, but contribute to 47 percent of student loan defaults.

Twenty-three percent of their borrowers default on their loans within three years of graduating or dropping out. Meanwhile, the Senate Help Committee estimates that these schools have consumed an estimated $32 billion in Federal taxpayer money from the last school year. That is roughly 25 percent of the total amount going to higher education programs.

Federal aid should only go to career education programs that effectively train students and prepare them for gainful employment in a recognized occupation. That was the plain language and intent of Congress, and we urge the Department to continue its important work, to implement and give effect to that intent.

It is imperative that the Department take steps to ensure that students and taxpayers are not subsidizing ill-gotten profits for schools offering programs that do little more than put their students in debt.

For these reasons, we urge the Department today, again, to focus its next round of rulemaking on the development of a strong gainful employment rule.

Despite recent legal challenges to the Department's last round of negotiated rulemaking, the Courts have made clear, as others have said, the Department has the authority to define gainful employment.

The Department should also take steps to improve the rule. For example, by setting a stronger program repayment threshold.

If most formal students from a given program aren't actively paying down their debt, you have to ask, is that program sufficiently transitioning students into the job market, so as to justify the debt burdens it places on them?

We should also encourage the Department to hold schools to greater accountability for failing to meet the metrics for gainful employment. A school that is not meeting two out of the three metrics, even in one year, is likely putting its former concurrent students at risk of suffering financial distress.

In addition, we urge the Department to take steps to prevent manipulation of cohort default rates. Others have made these points, about using student loan forbearance, deferments, consolidating different campuses to mask responsibility for the low performance of their programs.

We also want the Department to prevent the use of similar tactics to evade the 90/10 rule, as others have said.

I would also encourage on the issue of campus debit cards, that the education continue to work with the Consumer Financial Protection Bureau, as we know that they are considering amending Regulation E to level the playing field between pre-paid cards and debit cards.

I think it would be very helpful, given the different types of arrangements that are possible in this space, that the Department ensure that the Consumer Bureau is also keeping in mind, some of these campus debit card arrangements, because we want to ensure that any consumer who is receiving funds on a debit card, whether it counts as a debit card linked to an account or some kind of pre-paid stored-value card, we want to ensure that there are consumer protections against fraud and theft and errors, as well as limitations on fees.

The time is now, in any case, to ensure that students and their families, as consumers of higher education services, are getting the benefit of their bargain, that an investment in higher education will put them on the path to the middle-class, provide financial security and open doors to advancement in society.

We look forward to working with you

on your rulemaking in the future. Thank you very much.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you. Kristen Soares? Zac Dillion.

(Off mic comments)

MODERATOR McCULLOUGH: Has everyone who is speaking, checked in with Amy?

Okay, then we will adjourn for -- let's see, we are running about 20 minutes. We're adjourned until 10 minutes of two, at which time, we'll see if anyone else has signed in to speak. Thank you.

(Whereupon, the above-entitled matter went off the record at approximately 1:30 p.m. and resumed at approximately 1:50 p.m.)

MODERATOR McCULLOUGH: Now, reopen the hearing. Kristen Soares? Good afternoon.

MS. SOARES: Just go ahead and start?

MODERATOR McCULLOUGH: Yes, go right ahead.

MS. SOARES: Great, thank you. Good afternoon. I am Kristen Soares, and am testifying today on behalf of the Association of Independent California Colleges and Universities, AICCU, representing over 75 non-profit WASC-accredited institutions that educate over 320,000 students.

Members include traditional liberal arts colleges, major research universities, faith related institutions, women's colleges, performing and visual arts institutions, and schools of law, medicine, engineering, business and other professions.

AICCU serves as a unified voice on independent, private non-profit higher education in California.

My comments today address two topics related to state authorization.

First, state authorization for programs offered through distance education or correspondence education.

In response to a Court decision

issued last year, the Department is considering developing new regulations related to state authorization for programs offered through distance education or correspondence education.

Given the substantial work being done across the country in this area, AICCU believes it would be premature to develop Federal regulations.

Although the distance education regulation was struck down in Court, its issuance has had a marked effect and increasing awareness of the breadth and variety of state requirements affecting distance education providers.

The Department is to be commended for raising this important and timely issue, especially in this era of increased cross-border online education programs.

It is also underscored the complexity of addressing regulatory issues in a manner that is understandable to and affordable for institutions seeking to comply with state requirements.

The difficulties of navigating these numerous and various requirements have spurred conversation regarding ways in which compliance can be simplified.

The most significant of these efforts is the work being done on the state authorization reciprocity agreement or SARA.

The President's forum, Council of State Governments, regional education boards, APLU and SHEEO, among others, have engaged in this effort for some time now.

A SARA framework has been developed, and while there is still much to do and much work to be done on some of the specific features, AICCU is supportive of this effort. Also, the California Higher Education Roundtable Inter-Segmental Coordinating Committee will soon be meeting to discuss how such an agreement might be implemented.

Given the work going on now and the high level of involvement of many individuals with deep knowledge of state laws and practices, it doesn't seem to be appropriate to introduce new Federal requirements at this time.

We suggest that the Department defer regulatory action in this area, to allow the current work to proceed in a manner that will maintain flexibility.

At this point, it may simply not be possible to deliver uniform Federal requirements that capture all of the moving parts that will be required to establish a better means to regulate distance education providers.

Second, state authorization for foreign locations at institutions located in a state.

The second state authorization raised in April 16th notice relates to authorization for foreign locations and institutions located in a state.

Given the incredible confusion that has been created by the general regulations related to state authorization, we urge the

Department not compound that confusion by trying to regulate foreign institutions at foreign locations of U.S. institutions via the states.

Experience with existing state authorization regulation has shown that states have chosen a variety of ways in which to recognize and regulate the institutions within their borders.

Super-imposing a vast or a vague set of Federal requirements for state activity has already led to massive confusion, with no discernible impact on improving program performance or integrity.

Equally troubling are the shifting and inconsistent interpretations of what the regulations require.

It is for these reasons that AICCU's National Association of Independent -- sorry, Independent Colleges and Universities NAICU, advocates for a repeal of existing state authorization regulation.

Attempts to expand this regulation

to incorporate rules related to state regulation of foreign locations would only compound the substantial problems and confuse -- confusion we're experiencing today -- experiencing today.

I appreciate having the opportunity to present these views today and thank you for your time.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you. Zac Dillon?

MS. MESSIER: Good afternoon.

MR. DILLON: Good afternoon. My name is Zac Dillon, and I'm a recent graduate of Santa Clara University School of Law and a volunteer for the National Organization Young Invincibles, which advocates for young adults 16 to 34, on issues impacting economic opportunity for this generation.

I'm here to urge the Department to put forth a strong gainful employment, to provide protection to students who end up in career education programs that receive Federal funding, but that leave students with debts that they cannot repay.

Young Invincibles surveys online members of a member -- on a number of items, their financial aid experiences, their experiences paying back their loan debt, et cetera.

Its most recent survey had about 9,500 respondents, of which 1,130, or about 12 percent, said they had attended or currently attend a for-profit institution.

One student wrote a story to us about life in debt after attending a for-profit that offered sub-par educational opportunities.

In her own words, she told us, "I attempted loan forgiveness on the basis that most of the loans are for my time at a for-profit court reporting institute, which was closed for fraud, approximately a year after I left."

"Despite the fact that the exact fraud allegations were why I was unable to graduate, I was told that since I had left the school by the time they were closed for fraud, I could not obtain even partial forgiveness."

This student also wrote that she was unemployed and was forced to delay buying a house, car, and even starting a family because of the student debt she incurred. She says she does not foresee being able to start a family possibly ever.

Stories like these continue to come in, illustrating the importance of imposing standards on schools that will protect students from those schools that leave students with high debt and no ability to find a job that would enable them to repay their debts.

The data is also compelling. For-profits have just over 10 percent of student enrollment but account for half of the nation's federal student loan defaults. For-profits are very expensive, causing six to eight times more than nearby high quality public universities and community colleges.

Because of this high cost, students who earn bachelor's degrees at for-profits have almost quadruple the debt of students at public universities and almost double the debt of non-profit private colleges.

More than 20 percent of students who attend a for-profit default on their loans within three years of entering repayment, compared to just over 10 percent of students at public colleges and only 7.5 percent of students who attend non-profit private colleges.

Because of this, we urge the Department to include strong, new, gainful employment standards as a part of the upcoming negotiated rulemaking.

While I would also like to stress that including the student and consumer perspective in these negotiations is key, because the student population is diverse, we request that you reserve adequate slots for negotiators representing students from all types of backgrounds.

Thank you for opening the floor to this testimony, and thank you for your time.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you.

MS. MICELI: Thank you.

MODERATOR McCULLOUGH: Julianna Fredman?

MS. MESSIER: Good afternoon.

MS. FREDMAN: Good afternoon. My name is Julianna Fredman and I am a consumer law attorney at Bay Area Legal Aid.

Bay Area Legal Aid serves seven counties throughout the Bay Area. We are the largest legal services provider in this area.

We serve clients who are living at or below 125 percent of the Federal poverty rate. So, we're seeing pretty poor folks.

We also run three clinics for debtors in the counties of Contra Costa and Napa each month, and so, we see a high volume of distressed borrowers. And I'm here to talk about how a strong gainful employment rate would positively impact our clients.

Okay, increasingly, we have clients

and clinic participants coming in with unmanageable student loan debts, the majority of which were taken to attend for-profit institutions.

These borrowers are all in default and unable to pay. Many of them have never had a single job in the field that the college supposedly trained them for. Still, others weren't able to complete their education.

One student was encouraged by school counselors at the for-profit institution to enroll in a program despite the fact that they knew she did not -- would not be able to obtain the degree or work in the field because the student did not have a GED or a diploma or a high school diploma.

She was unable to complete the course work and currently has federal student loans in default.

Clients come to us in crisis, so, they are in default and either unemployed or under-employed, and their tax returns are being retained, their earned income credits are being retained, or their Federal benefits are being garnished to pay for the Federal student loans that they took out to attend these for-profit institutions that purported to prepare them for gainful employment.

Often, these loans, initially relatively modest, have been ballooning for many years, during which the client has never made sufficient income to make a dent in it.

One client got a loan to attend -- a small loan to attend a for-profit beauty school many years ago for a couple thousand dollars, but she never got work in that field. The school actually closed a relatively short time after she attended, but not in time for her to be able to apply for that type of discharge.

That debt has ballooned to tens of thousands of dollars and she is now approaching old-age. She is almost legally a senior citizen, living solely off public benefits.

Another client is in his 50's. He

lives on fluctuating wages that averaged less than 80 percent of the federal poverty line and he came to us because his tax return was being withheld year after year for small loans that were also taken out many years ago.

As a consumer attorney, we know that student loans create a burden that other consumer debt does not. It can't be discharged in bankruptcy, except for in extremely rare situations, and other discharges are extremely difficult to obtain, even when applicants are eligible, for instance receiving SSI for a permanent disability. It's still very difficult.

Again, this is an issue we are encountering in our consumer practice with increasing regularity. At virtually every debt clinic that I have held we have clients with defaulted student loans and a heightened standard for schools to show that their programs are likely to lead to gainful employment would directly impact the communities that we serve.

It might increase the chances of people actually obtaining useful degrees when they take out loans rather than just acquiring mountains of debt. Thank you.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you.

MS. MICELI: Thank you.

MODERATOR McCULLOUGH: Nathan Breitling? No? Anybody else?

Okay, at this point, we will take a break until, let's say, 2:45 p.m.

So, the hearing is adjourned until 2:45 p.m.

(Whereupon, the above-entitled matter went off the record at approximately 2:05 p.m. and resumed at approximately 2:45 p.m.)

MODERATOR McCULLOUGH: All right, we will reconvene the hearing now. And, Alicia Hetman, good afternoon.

MS. HETMAN: Good afternoon. I am Alicia Hetman and I currently serve as the California State President for the American

Association of University Women, and I'm also a former National Board member and a former member of our Foundation Board.

On behalf of more than 165,000 non-partisan members and supporters, over 1,000 branches and 800 college and university partners of the United -- of the American Association of University Women, I would like to thank you for holding this important hearing about upcoming regulatory issues the Department of Education is considering.

AAUW will be submitting detailed written comments as well, but I appreciate the opportunity to speak to you today.

I am here to urge the Department to again undertake the issuance of strong gainful employment regulations to protect students and taxpayers.

In addition, we urge the Department to quickly negotiate and issue strong regulations regarding the changes to campus safety and security reporting included in the

Violence Against Women Act.

AAUW has weighed in time and time again about the importance of strong rules to ensure that career education programs that receive federal funds do not take advantage of students and taxpayers.

AAUW supports this work because we know that women struggle with student debt more than men.

Loan repayment is an even more significant burden for women, who earn less on average over the course of their lives than their male counterparts.

AAUW's new research report 'Graduating to a Pay Gap: The Earnings of Women and Men One Year After College Graduation' found that the median student loan debt burden was slightly higher in 2009 for women than men.

Just over half of the women, 53 percent, and 39 percent of men were paying a greater percentage of their income towards student loan debt than AAUW estimates a typical woman or man can actually afford.

This is due in part to the persistent gender-wage gap, which, here in California, still stands at 85 percent.

This means that men in California earned on average $49,281 compared to women, who earned an average of $41,817 in 2011.

AAUW supported the sound framework that the original gainful employment rule used to achieve the goal of ensuring that schools offering federal financial aid to students did not burden their students with unmanageable debt.

We agree that the Department should use a combination of measuring debt to income ratios, repayment rates, and default rates, to understand which programs are failing their students and should be ended, which need improvement, and which are serving students well.

As you know, the data collected in the initial year of the rule found that 65 percent of the programs failed at least one of the tests and five percent failed all three tests.

While the Court struck down the original gainful employment rule, the decision made clear that the Department can issue regulations of this sort. Indeed, the concerns raised in the court case are easily addressed.

We urge the Department to move through the process quickly, to remedy the concerns and reinstate a gainful employment rule.

In the rule, a repayment rate of 35 percent is required for a program to pass. AAUW stands by the need for such a threshold and would support a stronger one.

The idea that it is acceptable for 65 percent of former students from a program to be unable to pay down their loans year after year is frustrating to those of us who hear from our work -- who hear from or work with students regularly.

Overall, there is no reason to weaken the gainful employment rule. With 193 programs where students have borrowed at high amounts relative to their income or having trouble repaying and very likely to be in default, we must do something to ensure that federal taxpayer dollars do not continue to flow to those programs.

To respond to another issue that you all are considering addressing in upcoming rulemaking, AAUW urges the Department to quickly move to issuing rules around the new campus safety provisions.

This new law amends the Clery Act and the Higher Education Act and was included in the re-authorization of the Violence Against Women Act.

When campus environments are hostile because of sexual harassment, assault, or violence against students, students cannot learn and miss out on true educational opportunities.

AAUW's own research revealed that two-thirds of college students experience sexual harassment.

In addition, a 2007 campus sexual assault study by the U.S. Department of Justice found that around 28 percent of women are targets of attempted or completed sexual assaults while they are college students.

AAUW supports change to the campus safety law. The new law will ensure that schools make public the procedures following instances of sexual assault on campus, report additional crime statistics, and improve their disciplinary process.

The Department of Education's rulemaking will need to address the new definitions included in the statute, make clear to schools how often certain ongoing activities must take place, and who is covered by the law.

The existing Clery Act framework regarding reporting of crime data is strong in this case, ensuring that all students are covered.

In addition, schools are already familiar with reporting this type of information.

In addition to reporting, schools will also be making public policies and procedures regarding instances of sexual assault, dating violence, domestic violence, and stalking. Key to these rules is the fact that every school may need to institute policies and procedures that are unique to their communities, but must at the same time ensure that all students are safe and they are in compliance with the law.

There are good examples of existing policies, procedures, and trainings out there. AAUW has developed a 'Program in a Box' for campus advocacy around this issue.

'Students Active for Ending Rape' works with students and schools to improve campus sexual assault policies, and the Department's own work around Title IX and the

Resolution Agreements that stand as best practices for schools are all in place for a look at guidance.

Additionally, it is important that organizations that represent students and victims -- as well as advocates and experts on sexual assault, dating violence, stalking, bystander intervention and Title IX, for example -- be included in the negotiated rulemaking process.

These groups may not traditionally be a part of negotiated rulemaking on financial aid or other issues being discussed today, but are an invaluable part of the conversation about these rules.

I thank you for this opportunity to testify.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you. Armando Telles?

MS. MESSIER: Good afternoon.

MR. TELLES: Ladies and gentlemen,

and representatives of the Department of Education, I thank you for allowing me this time to speak to you regarding this bill, because, as a student and as a Veteran Marine Corp Veteran myself, I witness too often the struggles that veterans in transition experience, and in that transition, we seek havens where we can all recognize the fellow veterans, but more so, re-identify ourselves and our purpose, if not, how we're going to continue to serve our community.

And so, many of those places are on the college campuses. These are places and environments to where not only can we find members of our own breed, which is of a military breed, but more so, with the same kind of mind-sets and commitments to our future.

So, we rely heavily on the consultation of not only of our advisors and counselors at these learning institutions, but more so, through affiliated organizations that focus on the well-being and employment of veterans.

As a representative myself of the American GI Forum here in California, as well as on behalf of the National Women Veteran's Association of America, I am here to speak to you about the experience that many of us are hoping to not allow happen to the next coming veterans that are coming home.

We have gone through struggles like many of our senior generations in trying to implement rules and standards in which should be allowed and only tolerated for veterans. But yet, we have this development of an agency, of an industry, that now education is for-profit, and it's by no means to discredit the for-profit status of any institution, as it is simply securing the future of those who attend those institutions.

As a community college student myself, I can only recognize and acknowledge the students who I've come to know, who have attended the for-profit schools and who eventually, after accruing a lot of debt, still end up at the public -- through the public education for a couple of reasons.

For one, they are placed in programs that they are misled to believe that they are going to have adequate standards of training to be able to enjoy -- to enter the workforce.

Unfortunately, these kind of institutions are also recognized for the short-term period in which one can acquire their education.

However, a student like myself, who objectively recognized -- reflects on my learning strengths at home and on the computer does not suit me, but it suits many others.

However, those who commit to that discipline and that dedication to their education, whether it be online courses, if not, a fast-track course type, are being left with not only insurmountable -- with an amount of debt that is difficult to manage, but still loss of time, as well as side-tracked from what their goals were in lieu of the distraction of being misled that their education was going to be worth something.

But today, I am here to specifically encourage the consciousness of how this is going to impact the student veteran, how by providing regulations that are going to secure not only the prosperity of their education that is acquired, but more so, to hold accountable to those who are in the service of serving veterans.

As a veteran advocate from San Diego, I can -- I am too familiar with the discussions of groups who have only a for-profit mentality when discussing the solutions to veteran's issues, where not only is that discussion should be non-partisan, but it should be no gain -- it should be to no gain other than to the veteran themselves.

We should not be in the business of trying to make money from the person who not only served his country, but more so who is trying to advance themselves in society, who very likely has a family that they're trying to secure as well.

I, myself as a single parent, relate to the struggles and the time and the commitment I have given to classes that has taken not only time away from my children, but then the finances, in order to sustain that sort of pursuit. And when there has been a veteran, many of my fellow veterans come home and the first thing they want to do is simply transition, school seems to come to mind.

They are led to believe that the benefits that they have earned by providing their service is going to secure not only an adequate amount of education, but more so, that education is going to be applied to the next step of their lives after having committed to however long of a term, let alone experiencing and enduring whatever challenges they may have from the experience in the military.

The American GI Forum specifically focuses its empowerment of its veteran population -- household, siblings, as well as the veteran themselves -- around education, the education in a conventional sense, whereas, it's in the classroom, but more so, the advocacy of peer-to-peer empowerment, the peer-to-peer education.

So, if a suggestion could be made regarding the regulations, as well as standards of what veterans should be provided for in these next couple years, I would encourage the development and the sustaining of programs that specifically engage veterans with each other, and the community.

These are ways to be able to not only maintain the level of enrollment at any one given institution, but it also empowers the learning environment. It develops a connective environment in which veterans, again, need. We need those kind of environments to know where -- know, no matter where we are, whether at home or in -- or on the college campus, that we can not only learn, but feel comfortable in doing so, and when we're restrained by the financial challenges that many American's are across the nation, we are no different when it comes to our needs.

However, we've earned our right to be able to go to school. We have earned our right to have the benefits to be able to be applied to better ourselves, and in that process of learning, we must maintain a level of socialized general standard of what life can be, that in a place where we can learn, we should also be able to expand our horizons in the environment in which we are learning from.

For-profit schools have the benefit of being in the industry. For-profit schools have the benefit of being able to accrue whatever profits one can accrue. It's a matter of how those profits are going to be applied and how it's going to sustain the growth of any such institution. That as one voice of many, I do appreciate your time, and I understand this is just one of the many hearings that you have been a part of in various states, and you have heard more than just one voice.

I am simply just one voice that specifically is here today, to thank you for your time on addressing these issues, but also, these -- to understand that these regulations is not to provide limits or restrictions. It's merely to provide the security that veterans have provided this country, and the veteran's pursuit of an education. Thank you.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you. If anyone has not registered, that would like to speak, please see Amy.

(Off mic comments)

MODERATOR McCULLOUGH: Right, anyone who hasn't spoken, that would like to. If not, we will adjourn until 3:20 p.m.

(Whereupon, the above-entitled matter went off the record at approximately 3:05 p.m. and resumed at approximately 3:25 p.m.)

MODERATOR McCULLOUGH: We are

reconvening the hearing. If everybody could take a seat.

Joe Ridout?

MS. MESSIER: Good afternoon.

MR. RIDOUT: Good afternoon. Thank you for the opportunity to speak today.

My name is Joe Ridout. I am manager of consumer services for Consumer Action.

Consumer Action is a non-profit organization that empowers under-represented consumers nationwide to assert their rights in the marketplace and financially prosper through multi-lingual consumer education materials, community outreach, and issue focused advocacy.

Through our multi-lingual consumer hotline, we hear from many students who feel they were deceived by recruiting and admissions departments of for-profit postsecondary schools both about the value of their degrees and prospects for future employment in their field to study. Here is a sampling of some of the complaints we have received.

Dawn, a resident of Michigan, shared with us her experience at the University of Phoenix.

"When I applied for their Master's in psychology program, I was told that I would be able to obtain my license in the state I reside, Michigan."

"I was directed by the advisors to do a particular program, which I have completed."

"It was not until after graduation, when I found out that I would not able to get a license. PLUS, no other schools would take my credits so that I could go back and take the right course work."

"Not only am I now $23,000 further into debt, but I have to go back for another degree and I may lose my job, as licensor is required."

Ion Jones, also from Michigan, attended IADT, the International Academy of Design and Technology. His comments.

"I was clearly led astray by the admissions and financial aid officers. They misinformed me about my financial aid options, accreditation, employment opportunities and ability to continue my education at other institutions."

"I was encouraged to take out student loans to pay for IADT even though I should have qualified for grants at other institutions since my parents are on welfare. I was not told this."

"I also discovered that I was unable to transfer my credits to another institution to finish my education, and my only options were to drop out with no degree or continue to rack up more debt at IADT."

"I still, to this day, have not finished my degree. There is no way I can pay back these loans of over $50,000. I feel that my rights have been violated, as I came from a vulnerable population and was taken advantage of."

"I believe that there should be a law to protect vulnerable populations, i.e., those on public assistance from predatory for-profit schools. IADT and Career Education Corporation should be investigated for fraud."

Finally, we have Rocko from Albuquerque, New Mexico, who attended Westwood University, and this is the college, as many of you know, infamous for encouraging its design in architectural drafting alumni to seek jobs as part-time bank tellers or to join the circus, as was detailed in a recent expose by the journal, *Academe*.

"I was promised everything, but had nothing delivered. They promised to help me find work. What they did was hand me three sheets of paper full of lists from jobs on Craig's List."

"The counselor then told me they did not have direct employers, like they had told me when I signed up."

"I continued going to school, but

then started calling potential employers from all over the U.S., and no one would take a degree from Westwood."

"Now, I owe the Government $15,000 for three months of school and I cannot transfer my credits."

These are heart-breaking stories, and Consumer Action has heard from many other students who feel that they were similarly misled.

Their stories raise serious issues about the practices of many for-profit schools and lead us to make the following recommendations.

When it comes to Title IV funding eligibility, we feel that programs should not have to fail three out of three metrics before they face meaningful consequences.

Students, after all, are harmed whenever an institution fails any of the three metrics. Failing in two of the three measures should be more than enough for a program to face restrictions on the number of students they can enroll or federal aid they can receive.

Any student, who in the context of his own studies failed two out of every three metrics, would soon face serious academic consequences. It should be no different in the case of consistently under-performing for-profit colleges.

Additionally, in extreme cases of abuse or fraud by schools, current regulations should be modified to allow victims of these acts to discharge loans they assumed in the context of the fraud.

This would include programs that lack the proper accreditation necessary for future employment, that enroll students with criminal records in programs, preparing them for employment in a profession that will bar them from employment due to their criminal record, or that enroll non-English speaking students in program taught only in English.

When we have 86 percent of

for-profit college revenue coming from Federal aid, with just 28 percent of students graduating within six years, this barely resembles a meaningful path to education and advancement for students. It looks far more like corporate welfare dressed up in academic robes.

We urge the Department to issue strong regulations that will allow successful and honest institutions to thrive by holding bad actors accountable while protecting some of our most vulnerable students. Thank you.

MODERATOR McCULLOUGH: Thank you very much. Dylon Busser?

MS. MESSIER: Good afternoon.

MR. BUSSER: Good afternoon. My name is Dylon Busser, and I am a leader with Roots of Justice at the University of Illinois at Chicago in the IIron Student Network.

The IIron Student Network is a group of grass roots university-based social justice organizations from across Chicago.

The IIron Student Network is an

affiliate of the Community Organizing Network Iron and National People's Action.

Three weeks ago, I graduated from UIC with a Bachelor's of Science in biological sciences. Even though I received financial aid, won several scholarships, and worked every year during my undergraduate career, I graduated with over $25,000 in student loans.

This is in large part because tuition fees at UIC have approximately doubled in the last nine years.

I grew up in a single parent, single income household. My mom worked very hard to make sure that my two siblings and I had our basic needs met.

But setting aside money so that we could go to college was never in the cards for us, especially after the housing market crashed and we lost almost half of the value of our home.

During my senior year of high school, my world was turned upside down when my mom was diagnosed with Stage 4 breast cancer. I knew the statistics, she had two, maybe three years left.

Because it was the cheapest and the closest to my home, UIC was literally my only option.

As my mom's medical bills piled higher and higher with each new drug regimen and hospital visit, I began taking on jobs that I could find around campus.

Taking these jobs was my only way to pay for books and other expenses, but it also meant that I was spending less time helping take care of my ailing mom. She died a year ago this March.

Since then, my sister and I have had to turn to extended family members for financial support.

UIC has spent the last decade skyrocketing their costs while cutting much needed services and programs for students. During my sophomore year, one of my best friends had her art education program cut, without any warning, and had to transfer schools.

Ironically, her mom was also battling Stage 4 breast cancer, and when UIC cut her program, they also took away the one resource I had to cope with my situation.

Despite nearly a 100 percent increase in cost of attendance since 2003, my class sizes at UIC have gotten so large that instructors can't keep up with the work.

Classrooms don't always have enough seats. Some of our science labs don't have basic safety equipment. Students do not have the support that they need from advisors and staff, and this is not because the university is short on cash.

In fact, according to the most recent annual financial report released by the university and reviewed by an independent auditor, the University of Illinois system has amassed over $1 billion in unrestricted net assets.

It has become very clear to us that

the university is not investing our tuition and fees into our education. Although from 2004 to 2011 the growth rate of upper level administrators exceeded the growth rate of the student population, the number of full-time instructors has remained stagnant.

Meanwhile, top level administrators received an average raise of more than $6,000 this last year alone. This is unacceptable for a public institution, which has historically prided itself on being an affordable option for traditionally disadvantaged students.

I did not slack off in college. I graduated with honors. I worked as a tutor and a research assistant for several years, was the President of one of the largest student organizations on campus, and volunteered extensively.

One semester, I even helped the university with its promotional items by doing a series of camera interviews and photo-shoots on campus.

Minimum wage jobs took a lot of my time, time I could have spent with my mom.

All the while, administrators are receiving large raises on already exorbitant salaries.

We need regulations that ensure our universities are not acting like Wall Street corporations. We need them to be held accountable and we need to immediately address the rising cost of tuition.

Our universities are burying the future of this country in more than $1 trillion of student debt.

The negotiated rulemaking committee and the Department of Education should develop and implement regulations that hold colleges and universities receiving Title IV funding accountable for keeping tuition affordable and maintaining educational quality.

Institutions that fail to control costs and fail to put their students' interests above administrative excess and building projects should not continue to rake in Title IV funding and drive their students into debt.

Additionally, because students make up 85 percent of the constituents at institutions that are receiving Title IV funding, it is imperative that students make up a majority of the voices on the negotiating rulemaking committee.

Because students are the ones facing this crisis, we want student organizations to make up at least three-quarters of the committee.

The Department of Education has an obligation to ensure that the powerful interests of higher education are not preying upon students. Our voice, the student's voice, on this committee is the only way to make that happen. Thank you.

MS. MESSIER: Thank you.

MODERATOR McCULLOUGH: Thank you. With no other speakers signed in at this point, we will adjourn until someone comes that would like to speak or four o'clock.

So, we'll adjourn for now.

(Whereupon, the above-entitled matter went off the record at approximately 3:35 p.m. and resumed at approximately 4:00 p.m.)

MODERATOR McCULLOUGH: We will reopen the hearing now.

Is there anyone here else who would like to give testimony?

With that said, it is four o'clock, and I will close the hearing. Thank you very much, everyone.

(Whereupon, the above-entitled matter concluded at approximately 4:00 p.m.)