



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

Negotiated Rulemaking for Higher Education 2013

U.S. DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION
PUBLIC HEARING

TUESDAY
JUNE 4, 2013

The Public Hearing convened at
9:00 a.m., in the Camille O. Hanks Cosby
Center Auditorium at Spelman College,
Atlanta, Georgia, Julie Miceli, Deputy
General Counsel, U.S. Department of
Education, presiding.

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P-R-O-C-E-E-D-I-N-G-S

9:00 a.m.

MS. MICELI: Good morning,
everyone.

I am Julie Miceli. I am the Deputy
General Counsel at the U.S. Department of
Education.

I want to welcome everyone to Atlanta
for the last of our four public hearings.

I also want to thank Spelman College
and President Tatum and her staff for hosting us
today.

And I also would like to introduce my
Department of Education colleagues who have
joined us here in Atlanta.

We have Amy Wilson, who is in the
Office of Postsecondary Education, who is
outside at the checkout table.

She is also joined by Gwen Dodson of
the Federal Student Aid Office.

Here I have Senior Policy Advisor to
the Undersecretary, Leigh Arsenault.

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1 I have Pam Moran from the Office of
2 Postsecondary Education.

3 We are also joined in the audience by
4 some of our colleagues at FSA, Lenny Springs and
5 Joel Harrell.

6 I hope I haven't missed anyone.

7 We are going to get started with the
8 hearing in just a moment, but I would like to
9 start with a few introductory remarks about what
10 we are here to talk about today, and then, we will
11 go ahead and open it up for public comment.

12 In today's global economy, a college
13 is no longer a privilege for some, but rather a
14 prerequisite for all. In the last year, 60
15 percent of jobs went to those who had at least
16 a bachelor's degree and 90 percent went to those
17 with at least some college. Over the next
18 decade, as many as two-thirds of all new jobs
19 will require education beyond high school.

20 This is why the President's plan for
21 a strong middle class and a strong America calls
22 for expanding the availability of postsecondary

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1 education training for every American.
2 Providing every American with a quality
3 education is not just a moral imperative, but an
4 economic necessity. And we want to make sure
5 that all students, regardless of income, race,
6 or background, have the opportunity to cross
7 that finish line.

8 Today's hearing gives us an
9 opportunity to begin conversations with the
10 higher- education community on rules that will
11 ensure that colleges and universities are giving
12 students a high-quality education that prepares
13 them for the workforce and lifelong success.

14 These hearings are meant to be
15 comprehensive and will include a discussion of
16 topics like state authorization for online
17 programs, issues surrounding institutions'
18 management of federal student aid funds, and how
19 to define gainful employment.

20 This process builds upon previous
21 steps to develop regulations that protect
22 taxpayer funds and ensure that all students are

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1 able to access and afford a quality higher
2 education.

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

9 The work of the people in this room,
10 the contribution and feedback that we have
11 received throughout the last four years has
12 raised our awareness about a number of years, and
13 we are interested in learning more through these
14 conversations.

15 Last year the Department held
16 discussions about rules that would be designed
17 to prevent fraud and abuse of Title IV federal
18 student aid funds, especially within the context
19 of current technologies. In particular, the
20 Department announced its intent to propose
21 regulations to address the use of debit cards for
22 dispersing federal student aid as well as to

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1 improve and streamline the campus-based federal
2 student aid programs.

3 As our interest in fraud and the use
4 of debit cards continues, we are now considering
5 adding several other very important topics to
6 the regulatory agenda. These include:

7 One, cash management. The
8 Department is interested in looking at the
9 regulations governing when and how institutions
10 disburse federal student aid, and how
11 institutions invest and manage those funds, and
12 other issues related to this topic.

13 State authorization for distance
14 education programs. This is number two. The
15 Department had previously regulated on this
16 issue, but a court vacated the rule on procedural
17 grounds in 2011. With that regulation no longer
18 in place, the Department is interested in ideas
19 for how to address the requirement that states
20 authorize the institutions that provide
21 distance learning to its residents when an
22 institution is not physically located in the

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1 state.

2 Three, state authorization for
3 foreign locations of domestic institutions.
4 Similarly, the Department is interested in ideas
5 of how foreign locations of domestic
6 institutions should be treated under the state
7 authorization regulations since current rules
8 do not specifically address foreign locations.

9 Four, clock-to-credit hour
10 conversion. Given concerns raised by
11 institutions of higher education, the
12 Department is interested in whether regulations
13 governing the conversion to clock hours and a
14 program to credit hours should be reviewed.

15 Five, gainful employment. Last
16 June a U.S. District Court vacated regulations
17 defining what it meant for a program to provide
18 gainful employment in a recognized occupation,
19 but the Court affirmed the Department's
20 authority to regulate in this area. The
21 Department is now interested in public input on
22 other potential approaches to distinction

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1 between successful and unsuccessful programs
2 that seek to prepare students for gainful
3 employment, thoughts on what are the best
4 measures or thresholds for setting gainful
5 employment, and how best to construct an
6 accountability system for these programs.

7 Next, campus safety and security
8 reporting. The reauthorization of the Violence
9 Against Women Act made some changes relating to
10 the information that institutions are required
11 to collect and to disclose as part of their Clery
12 Act disclosures. The Department is proposing to
13 develop regulations to implement these new
14 requirements.

15 And last, definition of adverse
16 credit for the Direct PLUS Loan Program. The
17 PLUS loan program requires that applicants not
18 have an adverse credit history to receive a loan.
19 What constitutes adverse credit was defined in
20 regulations published in 1994 when credit
21 conditions and consumer markets were different,
22 and loans were made through two different

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

6 Based on the comments gathered at
7 these hearings and the public comment which will
8 close tomorrow, the Department will draft a list
9 of topics to be considered by rulemaking
10 committees. It is likely that negotiations will
11 begin this fall, and prior to that, we will issue
12 a Federal Register notice seeking nominations
13 for negotiators.

14 I thank you all for dedicating your
15 time and expertise to this very important
16 process. We all look forward to hearing your
17 contributions today.

18 Just a few logistical matters. If
19 you are here and you have not yet signed up for
20 a time, but would like to speak, please see Amy
21 Wilson at the table in the front.

22 Also, we are asking everyone to keep

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1 their remarks limited to 10 minutes, so we can
2 everyone who is scheduled to speak in. If, for
3 any reason, you get close to your 10 minutes or
4 just go slightly over, we will try to interrupt
5 you so you can wrap up.

6 Thank you.

7 And with that, Pam, do you want to
8 call our first speaker?

9 MS. MORAN: Yes. Good morning.

10 Our first speaker is Mr. Ted Daywalt.

11 MR. DAYWALT: I have my timer with
12 me.

13 Good morning.

14 Let me first thank you for the
15 opportunity to come before the Department of
16 Education hearing today to share with you
17 information that is relevant to DOE's discussion
18 on improving Title IV student aid. I will be
19 addressing the issue from the perspective of the
20 active military and veteran community, where
21 Title IV funds are used in conjunction with
22 Department of Defense training assistance funds

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1 and the Veterans Administration's GI bills.

2 VetJobs' unique vantage point in
3 these discussions is, by the nature of our
4 business, VetJobs deals with veterans and their
5 family members on a daily basis who are pursuing
6 employment and the education necessary to get
7 that employment.

8 What follows is a discussion of my
9 observations as a businessman/president of that
10 job. So, I am not going to read the whole thing.
11 You have got copies of it. But I will hit some
12 of the highlights.

13 The post-9/11 GI bill, as it applies
14 to payments in conjunction with Title IV, has
15 been usurped by predatory for-profit schools.
16 The actions and behaviors of the predatory
17 for-profit schools need to be curtailed. Note
18 I use the term "predatory for-profit schools,"
19 as not all for-profit schools are engaged in less
20 than ethical or illegal behavior. Western
21 Governors University is an example of a good one.

22 I want to be very clear that not all

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1 for-profit schools are bad. But at the core of
2 the predatory for-profit school problem within
3 the military is the 90/10 rule as it applies to
4 Title IV. Under this principle, institutions
5 are required to receive no more than 90 percent
6 of their revenues from federal sources to be
7 eligible to receive federal aid. The 90/10
8 requirement was put in place to prevent schools
9 from existing merely as a means of collecting
10 taxpayers' subsidized education benefits, but
11 that is exactly what several of the predatory
12 for-profit schools have become.

13 The requirement also sought to
14 improve school quality by incentivizing
15 proprietary institutions to enroll at least some
16 students willing to invest with their own money
17 in the education offered by the school.
18 However, a loophole in the 90/10 rule allows
19 predatory for-profit schools to continue to
20 receive federal funds even if the institution
21 has reached its 90 percent limit on federal
22 student aid.

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1 As the 90/10 rule is currently
2 constructed, over federal aid administered from
3 the Department of Education is counted towards
4 the 90-percent limit. Revenues received from
5 the VA benefits like the GI bill and the DoD TA
6 monies are treated as non-federal sources under
7 the current 90/10 rule. In other words, a school
8 that has reached the 90 percent limit of DOE
9 funding can solicit revenue from post-9/11 GI
10 bill beneficiaries instead of recruiting
11 students who are willing to pay out of pocket.
12 And some of these schools are now 100 percent
13 being supported by federal funds.

14 Currently, military and veteran
15 educational benefits do not count towards the 90
16 percent restriction. Thus, most predatory
17 for-profit schools and universities market
18 towards the service members and veterans and
19 their dependents because a veteran can now give
20 their GI bill benefits to their children or their
21 spouses.

22 A GAO undercover investigation on

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1 applications at 15 of the predatory for-profit
2 colleges found that four of the colleges
3 encouraged fraudulent practices and that all 15
4 made deceptive or otherwise questionable
5 statements to GAO's undercover agents.

6 Four undercover applicants were
7 encouraged by the college personnel to falsify
8 their financial aid forms in order to qualify for
9 federal aid. We found instances of where the
10 college recruiter would be chasing down a
11 spouse, and the spouse would say, "Well, I didn't
12 graduate from high school." And they would say,
13 "Don't worry. We'll get you in."

14 In spite of the findings of the GAO
15 undercover investigation, the Veterans
16 Administration and DoD continue to allow
17 predatory for-profit schools to enroll active
18 duty military personnel, veterans, and their
19 spouses.

20 While it is understood that not every
21 institution within the for-profit sector is
22 engaged in these practices, the factual and

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1 testimonial evidence from past and recent press
2 reports has found that many predatory for-profit
3 schools and institutions have engaged in
4 improper and unethical recruiting practices
5 while also reporting record profits generated
6 from billions of dollars in taxpayer credits.
7 You may have read about the Justice Department
8 move against EDMC for \$11 billion in fraud.

9 Post 9/11 GI bill benefits were
10 expanded in 2008. The expansion means that the
11 more than 1.2 million veterans deployed since
12 2001 to Iraq and Afghanistan will be able to use
13 this generous benefit whenever they choose to go
14 to school, even to those career education
15 programs that have been aggressively and
16 deceptively recruiting them into programs shown
17 to be a very poor education.

18 We owe it to our veterans to give them
19 the tools they need to make sure their one-time
20 GI bill is not ripped off. Now at VetJobs we
21 have observed many disturbing activities by the
22 predatory for-profit schools directed at the

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1 veterans or their family members.

2 Problems have included aggressive
3 and deceptive marketing to veterans and active
4 duty component members; aggressive, deceptive
5 marketing to spouses, especially on military
6 installations. One of our customer service reps
7 is married to a Marine. She signed up with one
8 of these programs thinking she wanted to go to
9 school and, then decided not to. And they were
10 calling her three, four, and five times a day at
11 work and six or seven times at night at home. I
12 got on the phone with this recruiter and I said,
13 "If you call her again, we are going to charge
14 you with stalking," and that finally shut the SOB
15 up.

16 Telling veterans their programs are
17 accredited when, in fact, the programs are
18 self-accredited. Many of the predatory
19 for-profits cannot get accreditation through
20 normal accrediting agencies like SAC or the
21 AACSB. So, what they did, they created their own
22 accrediting agencies and they accredit

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1 themselves. That is very deceptive, and the
2 Department of Education needs to go after these
3 fake accrediting agencies.

4 Another problem is credits not
5 transferring, especially for graduate programs.
6 We have got an example of one veteran who stayed
7 on active duty for six years, got his bachelor's,
8 BBS, from a predatory for-profit in Virginia.
9 When he got out, he applied to over 90 business
10 schools, and every one of them turned him down,
11 telling him his degree was not recognized and it
12 is not accredited. And yet, the school kept
13 telling him that they are an accredited program,
14 but they accredited themselves. And in your
15 paper there I give you the links to be able to
16 check that out.

17 Employers not accepting degrees as
18 accredited. We have heard from a lot of people
19 who had an associate's or a bachelor's from one
20 of these schools. And then, when they went to
21 work, they found out that their pay may be four
22 or five, six, seven ranks down from where they

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1 thought they were coming in. And then, the
2 employer says, "Well, you would have been up
3 there, but because your degree is not
4 accredited, we don't recognize it."

5 Schools not providing marketable
6 skills that give gainful employment. We can sit
7 here all day long and talk about that. Some
8 technical for-profit schools do not provide
9 adequate training so a student can, then, obtain
10 a license for their work or get certification.
11 In fact, some for-profit technical training
12 schools are not recognized by the state
13 authorities. And yet, they are still out there
14 taking federal funds.

15 Another example is, once enrolled,
16 students are offered excessive amounts of
17 additional financial aid, often in the form of
18 risky private student loans, not federal loans,
19 to cover the high cost of attending these
20 institutions while earning less worthy degrees.
21 And it turns out that some of the predatory
22 for-profit schools own the loan company that

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1 they are loaning them this money at from 18 to
2 24 percent.

3 I have got a big section in here about
4 gainful employment, which I recommend that you
5 take a look at. But I would like to make the
6 following recommendations for you to consider:

7 Veterans and active members of the
8 military need to have better information to make
9 informed discussions about what school to
10 attend. Education counselors on military
11 installations and commands need to be better
12 educated to adequately assist veterans and their
13 dependents to choose an appropriate school for
14 college and graduate education.

15 There is a need for greater oversight
16 and accountability not only by DoD and VA, but
17 by DOE, of career education programs. Because
18 what happens too many times is DOE or VA or DoD
19 turns on the spigot for money, and then, nobody
20 follows up to see what is happening. That is not
21 right.

22 For-profit schools should be limited

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1 as to how much money they can use for recruiting,
2 marketing, and commissions. If a school is
3 receiving federal funds, the sales marketing
4 commission should be limited to a maximum of 5
5 percent of the school's revenue. Some predatory
6 for-profit schools now spend as much as 50
7 percent or more on marketing, selling, and
8 commissions.

9 I sat on the Board of a legitimate
10 university, and I can remember when the Business
11 School Dean came in and wanted to raise the
12 marketing funds from 4 to 7 percent. You would
13 have thought somebody had raped the queen and
14 killed the pope.

15 Accreditation issues need to be
16 examined to find a way to ensure that a school's
17 accreditation is legitimate. DoE should cut off
18 all funding for programs whose graduates are not
19 eligible to sit for licensing exams in their
20 fields that require a license. The 90/10 rule
21 needs to be changed, and the 90/10 rule needs to
22 be enforced. And predatory for-profit schools

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1 that persist in behavior found by GAO should be
2 banned from using military facilities.

3 That concludes my comments. I
4 appreciate your time. If you have any
5 questions, I will be glad to answer them.

6 MS. MORAN: Okay. Thank you.
7 Thank you, Mr. Daywalt.

8 Our next speaker is Dr. Everette J.
9 Freeman.

10 DR. FREEMAN: Good morning. I am
11 Everette Freeman, the President of Albany State
12 University in Albany, Georgia, a Historically
13 Black College and University established in
14 1903. And it is now a part of the 31 institution
15 university system of Georgia.

16 I wish before giving my formal
17 remarks to thank President Tatum for her
18 hospitality in hosting these hearings. It means
19 very much to us that one of our sister
20 institutions has been so gracious. So, thank
21 you, President Tatum, for doing so.

22 What I would like to do, I am going

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1 to leave copies of my formal presentation in the
2 back. If any of you are interested in having it,
3 it will be available to you.

4 I come to talk about the impact of the
5 reformulation, and for us the reduction, in
6 parent PLUS funding available to our students
7 and how that is continuing to have an adverse
8 impact not just on our students, but on the
9 regional economy in southwest Georgia and on the
10 potential of not just the students, but the
11 families and, indeed, generations to come to
12 receive an education.

13 Over 90 percent of Albany State
14 University's students receive some form of
15 federal financial aid, and many of our students
16 receive federal parent PLUS loans. The parent
17 PLUS loan program borrowing at Albany State
18 University has decreased by over 10 percent this
19 current academic year, from 1392 student to 1247
20 students. The number of Albany State students
21 approved for federal parent PLUS loans have been
22 in decline over the past several years.

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1 Median approval rates of the
2 three-year period between 2008 and 2011 was
3 45.95 percent. In 2011 and 2012, that number
4 declined to 37.2 percent. And for the current
5 academic year that is coming to a close, the
6 number of approvals for federal parent PLUS
7 loans plummeted to 18.8 percent. So, that gives
8 you a measure of how dramatic the reductions in
9 federal parent PLUS loans approval has impacted
10 our students.

11 Overall, the amount of parent PLUS
12 loans received by Albany State University has
13 declined by half. In the 2011-2012 academic
14 year, for example, our students were able to
15 apply and receive \$4,585,982 in parent PLUS
16 loans. The following year, 2012-2013, that
17 number dropped by half to \$2,125,091.

18 Now the federal parent PLUS loan has
19 at least one feature that helps students and at
20 the same time it hurts students. A student who
21 is denied a federal parent PLUS students is able
22 to apply for a federal Stafford loan. The

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1 federal Stafford Loan Program, if it is not
2 repaid, has a direct and negative impact on the
3 institution's ability to draw down federal
4 funding.

5 Our institutions as a group have been
6 trying to move away from Stafford loans, to the
7 degree that we have been able to. And with the
8 changes that were wrought last year, that has
9 allowed us, unfortunately, prompted us to
10 increase the number of applications for Stafford
11 loans. We are worried about this.

12 We know that the federal government
13 monitors our default rate. We certainly monitor
14 our default rate, and this is one of those
15 canaries in the mines, that if we do not return
16 to provisions that allow for a credit formula
17 that makes sense, we will, indeed, find an
18 increase in the Stafford loan and the
19 corresponding negative impacts that defaults
20 will create.

21 Due to direct costs associated to out
22 of state students, most of our students who are

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1 out of state, because of the changes in the
2 formula for parent PLUS loans, have only been
3 able to attend Albany State for one semester. It
4 takes roughly \$25,000 for a student living on
5 campus who is out of state to attend Albany State
6 University. The average amount of funding
7 available to a student through all the financial
8 aid instruments and, also, through parent PLUS
9 loans is about \$13,000. And with the rejection
10 rate of the parent PLUS loans, students have just
11 simply attended a semester and walked away.

12 By walking away, these students are
13 walking away from educational opportunities,
14 walking away from entering or remaining in the
15 middle class, and walking away from the life that
16 many of us enjoy.

17 What we ask at Albany State
18 University is that there be thoughtful, and,
19 indeed, prayerful consideration of remaining
20 faithful to the obligations that we establish in
21 this country, beginning with the GI bill, but
22 certainly moving forward to provide an education

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1 for all.

2 Let me just give you one example. A
3 female student from our State whose parents did
4 not meet qualifications for the parent PLUS loan
5 was not able to matriculate because there was
6 simply not enough aid for her to meet the tuition
7 requirements. Her tuition and living expenses
8 were only met for one semester. She left Albany
9 State University. She is now working at
10 McDonald's. There are not enough McDonald's in
11 the world to provide the kind of economic
12 opportunities to those students' needs.

13 We respectfully ask that we reverse
14 the 2012-2013 changes in the parent PLUS loan to
15 allow far more students to attend Albany State
16 University and all our sister Historically Black
17 Colleges and Universities, indeed, all of our
18 institutions of higher education in the country.

19 We ask also that you be very careful
20 and very mindful that you make available to the
21 institutions the very formula that we use.
22 Parents ask us over and over again, "Upon what

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1 basis have we been denied?" And we simply can't
2 tell them. We don't know the formula. We don't
3 know how the formula is computed. And we, then,
4 take the brunt of the criticism, the anger and
5 the disappointment of parents and students who
6 are left literally without any understanding of
7 what has happened and a way forward.

8 Finally, we ask that you give
9 consideration to a more robust plan for
10 communication that the parent PLUS loans are now
11 available to students. We find that students
12 are not aware, even though we, as an institution,
13 vigorously communicate that there are
14 efforts -- we know that you have communicated to
15 parents and students -- that the restoration for
16 this present academic year was made available,
17 but students are not getting it.

18 They are not getting it through their
19 social media outlets. Their social media
20 outlets are the ones that they most readily and
21 easily rely upon, and we recommend that you use
22 those, to the degree that you are able to, to get

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1 the message across.

2 That is the end of my formal remarks.

3 I am more than happy to answer any questions you
4 may have.

5 Thank you.

6 MS. MORAN: Thank you, Dr. Freeman.

7 Our next speaker is Rodner Wright.

8 MR. WRIGHT: Good morning.

9 I am Rodner Wright, Interim Provost
10 and Vice President for Academic Affairs at
11 Florida A&M University.

12 Thank you for this opportunity to
13 share with you our thoughts on changes to the
14 parent loan program. I thank you for your
15 focused, strategic efforts to work with all of
16 us to craft a permanent rule that will work best
17 to serve the needs of students, parents, and the
18 American public.

19 This is something that we have
20 thought and we had in place prior to the
21 Department's October 11, 2011 shift in
22 interpretation of the existing regulation.

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1 At Florida A&M, the nation's largest
2 Historically Black College and University, this
3 unanticipated shift in regulatory
4 interpretation resulted in the last-minute
5 denials of approximately 1,074 PLUS loans for
6 students who were in the good standing in the
7 fall of 2012. These loans had a dollar value of
8 about \$5,582,016. Seven hundred and
9 ninety-seven of those denied parents had
10 borrowed through the parent loan program just
11 the year before. Others were parents of
12 incoming freshmen and were coming on the loan
13 program to help them cover their tuition this
14 year.

15 This denial of loans at such a late
16 date and the inability of these students to pay
17 their tuition left these students with no
18 alternative than to place their hopes on
19 continuing their college education this past
20 fall on hold and stay home.

21 The most recent change to the parent
22 loan program, coming on the heels of the loss of

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1 the summer Pell grant funds, have dealt would-be
2 students and continuing students a devastating
3 blow. With reduced state support and limited
4 endowment funds, institutions like Florida A&M
5 University are unable to stand in the gap in
6 offering funding to those students whose parents
7 lost the PLUS loan as a result of the shift in
8 regulatory interpretation.

9 Further, the anticipated loss of
10 additional funds due to sequestration could
11 place further hardship on students, families,
12 and universities. For many HBCUs, the majority
13 of which have a majority African American
14 student population from low-income backgrounds,
15 those financial foundations were shattered as a
16 result of the Great Recession.

17 While the stated purpose of the
18 parents' PLUS loan program and its predecessor
19 is to expand college access by making low-cost
20 loans available to students and parents, the
21 Department's October 11, 2011 interpretation of
22 the adverse credit regulation seems to be

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1 working counter to that stated goal.

2 These changes have posed a serious
3 threat to the students not only at an institution
4 like Florida A&M, but a threat to low-income
5 minority students everywhere. These are our
6 next generation of leaders and professionals,
7 who have done everything by the books, worked
8 hard, studied hard, and were working to achieve
9 the American dream, only to have the federal
10 government pull the rug out from under them in
11 the pursuit of that dream.

12 Because of the income disparities
13 that exist, we know that low-income families are
14 much more likely to use debt to pay for college.
15 Conversely, parents of the HBCU students are
16 more than twice as likely as non-HBCU students
17 for parents to take out parent PLUS loans.

18 In conclusion, there are a few
19 critical points I want you to consider. The
20 Department of Education should leave in place
21 the definition of adverse credit history that it
22 has been operating since 1994. That definition

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1 has worked and allowed families to help their
2 children obtain their college degrees.

3 Given that there exists no data to
4 show higher default rates created and an
5 unacceptable risk to taxpayers, we ask that the
6 Department return to its pre-September 2011
7 position.

8 The second is HBCUs, in particular,
9 serve a community of students who have and will
10 be disproportionately impacted by the new
11 standard. As America continues to become more
12 diverse over the coming years, we need to ensure
13 that we have a pipeline of highly educated and
14 diverse future workers and leaders.

15 Changing the credit criteria for
16 PLUS loans by formally adopting the September
17 2011 position will directly and negatively
18 impact schools like Florida A&M and the HBCU
19 community's ability to continue to provide
20 America this diverse pipeline of future leaders.

21 President Obama articulated a North
22 Star goal of increasing, doubling the number of

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1 college graduates by 2020 to retain our place in
2 the world. This change in policy is totally
3 inconsistent with achieving that goal.

4 The past five years have been some of
5 the worst financially for America. And while
6 things appear to be improving, we are not out of
7 the rough yet for financial difficulty. Basing
8 decisions on credit history during this period
9 ignores the reality that many solid and
10 otherwise creditworthy parents do not pose major
11 credit risks.

12 Florida A&M University looks forward
13 to working with the Department, Congress, and a
14 range of diverse stakeholders in perfecting
15 parent PLUS in the days and months ahead.

16 Thank you kindly for affording me the
17 opportunity to share these remarks this morning.
18 Thank you very much.

19 MS. MORAN: Thank you, Mr. Wright.

20 Our next speaker is Dr. Gilbert L.
21 Rochon.

22 (No response.)

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1 Okay. So, I guess we will go on to
2 our next speaker, Mr. Carlton E. Brown.

3 MR. BROWN: Good morning.

4 I am Carlton Brown. I am the
5 President of Clark Atlanta University, which is
6 literally next door to Spelman and part of the
7 Atlanta University Center, the four
8 institutions that constitute the Center.

9 We enrolled 3,400 students this year
10 as opposed to the 4,000 students we enrolled
11 prior to last fall. We are significantly
12 first-generation college students from
13 low-income backgrounds. We are located, as I
14 said, just next-door. We were established in
15 1988 as a consolidation of Clark College and
16 Atlanta University, founded in 1869 and 1865,
17 respectively.

18 Atlanta University was the only
19 standalone graduate institution in the HBCU
20 community, and Clark College was the lead
21 institution among the 11 United Methodist
22 affiliated HBCUs. So, in 1988, this

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1 consolidation created a comprehensive graduate
2 institution maintaining a Carnegie
3 classifications research university, offering
4 38 undergraduate majors, a number of master's
5 degrees, and seven doctoral degrees.

6 We are a member of the Georgia
7 Research Alliance, and along with the University
8 of Georgia, Georgia Tech, and Emory, we conduct
9 biomedical research as well as other significant
10 aspects of technical and scientific research.

11 One of our leading research ventures
12 is the Center for Cancer Research and
13 Therapeutic Development which focuses on
14 prostate cancer research, treatment, and
15 prevention.

16 Last year alone, we filed five
17 significant research disclosures leading to
18 three patents and an additional two patent
19 applications, marking significant progress
20 toward the cure of prostate cancer.

21 Now I share all that to give you a
22 flavor for the kind of institution that I am

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1 talking about, national student and
2 international student body with only 30 percent
3 of our students originating in Georgia, followed
4 by California, New York, Texas, Florida, South
5 Carolina, and the upper Midwestern states.

6 We are, as I said, one of the four
7 members of the Atlanta University Center. We
8 have a number of high quality honors programs.
9 We do study abroad in 27 countries.

10 But last year the drastic decision to
11 change the credit regulations controlling the
12 parent PLUS loan without effective evaluation of
13 its impact nationally, and specifically on
14 HBCUs, and without prior communication and
15 input, has resulted in a tornadic effect through
16 the denials of 400,000 parent PLUS applications,
17 28,000 of those for students at HBCUs.

18 The national impact gives us a
19 one-year drop of over 50 percent in approved
20 parent PLUS loan applications, more than \$50
21 million in revenue losses that propagated forced
22 cuts in institutional budgets, significant

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1 layoffs, student enrollment decline, and the
2 inability to assist returning students who now
3 could not pay tuition or fees.

4 14,616 HBCU students in good
5 standing could not return to school as a result
6 of the loss of the parent PLUS loan. So, given
7 that our students are disproportionately
8 low-income and first in their families to attend
9 college, many rely on in absolute way, or have
10 relied on in absolute way, on the parent PLUS
11 program as a form of financial aid, as really for
12 many the only avenue for the exit of poverty and
13 the achievement of any kind of middle-class
14 status and participation in the modern
15 workforce.

16 But this drastic decrease in the
17 acceptance rate of applicants for the parent
18 PLUS loans have become an epic encumbrance on the
19 ability of HBCU students and their families to
20 finance postsecondary education. Many of the
21 institutions themselves have, through good
22 faith and earnest endeavor, exhausted every

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1 effort to close financial gaps that now impact
2 both students and institutions alike. So, for
3 many students attending or aspiring to attend
4 one of our institutions, this was one of the
5 critical options for assisting and financing a
6 college education.

7 Although the Secretary of Education
8 agreed to the reconsideration of the 400,000
9 parent PLUS applications that were initially
10 denied, as of February 2013, less than 10 percent
11 of the denied HBCU applications were approved.
12 Even after several meetings with various
13 stakeholders and Secretary Duncan's agreement
14 for a temporary fix and long-term modifications,
15 the majority of HBCU students who were impacted
16 by this shift have not returned to college.

17 Therefore, we ask consideration to
18 return to the parent PLUS loan criteria of
19 pre-October 2011, and then, engage with
20 Department leadership in examining an approach
21 to a comprehensive review of the capacity of
22 low-income students to finance a college

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1 education in all the various settings in which
2 that education is sought.

3 Specifically for Clark Atlanta
4 University, the approval rate as we are going
5 into the fall semester is 48 percent. So, that
6 is 590 students being approved out of 1,235
7 applicants. In 2011, we were at 57 percent.
8 But last year, with the change in the credit
9 criteria, that dropped to 32 percent. That
10 meant a decline in the aggregate PLUS award
11 amount from a high of \$24.3 million to \$13.5
12 million and a decline in our undergraduate
13 enrollment figures of 495 students. That is 16
14 percent of our undergraduate enrollment. And
15 what that has meant is we work now at a margin
16 that we had worked very diligently to avoid for
17 many, many years.

18 We are not suggesting that there be
19 no change in how federal financial aid is
20 awarded. We are suggesting that the federal
21 government has an obligation to systematically
22 approach this matter and not to do so in a blind

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1 way, as it impacts many institutions.

2 So, with this negative impact, there
3 are students whose college educations come to a
4 halt, but many with loans already in the pocket,
5 if they are unable to continue their education
6 somewhere, then those loans become due in a
7 low-employment environment, and it becomes yet
8 another deleterious effect on the fortunes of
9 African Americans throughout this country.

10 So, we are suggesting that HBCU
11 presidents have a seat at the table with the
12 Department of Education when we begin to
13 consider how the parent PLUS loan must work.
14 But, most importantly, it is time for the
15 Department of Education to exercise national
16 leadership with states and with private entities
17 to talk about the fundamental issue of just how
18 do low-income students enable themselves to
19 attend colleges and universities.

20 I must also say that in this dialog
21 we will find that there are differences in the
22 capacities of state institutions versus private

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1 institutions to manage these matters. So, last
2 fall, for example, in my interactions with
3 Members of Congress, their response to me was,
4 "It doesn't matter if a parent is denied the
5 parent PLUS loan because, then, there is a bump
6 in the Pell and an upgrade in the Stafford."
7 That is true and that works if the parent PLUS
8 loan was for less than \$3,000. However, private
9 institutions, those loan applications are never
10 for \$3,000. So, the denial actually terminates
11 a college education.

12 So, I want to thank you for the
13 opportunity to address you this morning, and I
14 truly do hope that the Department of Education
15 decides to exercise some national leadership in
16 addressing what has become a cataclysmic
17 problem.

18 Thank you.

19 MS. MORAN: Thank you, Mr. Brown.

20 We understand that Dr. Rochon from
21 Tuskegee is here to make his remarks.

22 DR. ROCHON: Good morning, and thank

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1 you for the opportunity to address this body.

2 I am Gilbert Rochon, President of
3 Tuskegee University and also serving as Chair of
4 the Council of 1890 Universities.

5 The decision by the U.S. Department
6 of Education to utilize more stringent criteria
7 in evaluating applications for parent PLUS
8 loans, specifically extending purview of
9 parents' credit history from 90 days to five
10 years, has adversely impacted Historically
11 Black Colleges and Universities, whose student
12 bodies include a disproportionate share of
13 low-income students.

14 At Tuskegee University in Tuskegee,
15 Alabama, approval rates for parent PLUS loans
16 plummeted from 55 percent in academic year
17 2011-2012 to 23 percent in academic year
18 2012-2013. As a result, 700 of our students were
19 denied loans, and only 276 benefitted from the
20 program. The proposed "fix" to the catastrophic
21 impact, namely, to allow parents who were denied
22 to reapply under less stringent criteria, could

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1 not recapture parents of potential freshmen who
2 were forced to consider delayed enrollment,
3 other institutions, or non-academic options for
4 their children.

5 Consequently, Tuskegee University
6 had little option but to transfer resources from
7 badly needed infrastructure improvements to
8 internal student loans and scholarships, so as
9 to salvage as many students as possible.

10 All of this was set within the
11 context of a simultaneous elimination of summer
12 Pell grants, thereby delaying graduation for
13 many students. And to date, a \$9.5 million
14 reduction in Tuskegee University's research
15 funding, approximately 20 percent, is a direct
16 request of the sequestration.

17 In the event that a dramatic increase
18 in student loan interest rates is not averted,
19 our students who do succeed in collegiate
20 matriculation will be placed in even greater
21 economic risk upon graduation.

22 The United States has a great need

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1 for highly skilled contributors to the workforce
2 and for well-educated leaders in corporate
3 America, in government, in NGOs, and in
4 institutions of higher learning. HBCUs are
5 assiduously preparing such leaders and
6 technologically advanced engineers, scientists,
7 scholars, and professionals.

8 Tuskegee University, for example, is
9 the number one producer of African American PhDs
10 in material science and engineering, a major
11 supplier of African American engineers in
12 aerospace, mechanical, chemical, electrical and
13 systems engineering, and has conferred the
14 Doctor of Veterinary Medicine degree on 75
15 percent of all African American veterinarians in
16 the USA, and has graduated more African American
17 flag officers than any college or university in
18 America, including the military service
19 academies.

20 But Tuskegee University is not
21 alone. Although HBCUs represent only 3 percent
22 of American institutions of higher learning,

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1 HBCUs awarded 17 percent of all bachelor's
2 degrees, 17 percent of all first professional
3 degrees, 8 percent of all master's, and 8 percent
4 of all doctorate degrees earned by African
5 Americans in 2011.

6 The 18 Historically Black Land Grant
7 Colleges designated by the second Morrill Act of
8 1890 awarded 45 percent of all bachelor's
9 degrees, 44 percent of all master's degrees, 16
10 percent of all doctorate degrees, and 32 percent
11 of all professional degrees awarded to African
12 Americans by Land Grant institutions.

13 The impact of the parent PLUS loan
14 approval criteria change has placed an onerous
15 burden on our collective institutions that have
16 historically reached out to talented,
17 low-income youth, and prepared them for
18 leadership careers.

19 We urge effective remediation of
20 this problem and a major reinvestment in
21 America's future leaders.

22 Thank you.

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1 MS. MORAN: Thank you, Dr. Rochon.

2 Our next speaker is Catherine Hurd.

3 MS. HURD: Good morning.

4 My name is Catherine Hurd, and I am
5 the Dean of Enrollment Services at Johnson C.
6 Smith University. On behalf of Dr. Carter,
7 thank you for hosting this event here today and
8 allowing us to come and to speak to you about the
9 parent PLUS loan and the effects that it has had
10 on Johnson C. Smith University and other HBCUs.

11 Johnson C. Smith University enrolls
12 more than 1600 students who are primarily first
13 generation students from low-income
14 backgrounds. We were founded in 1867, and we are
15 one of the nation's private Historically Black
16 Colleges and Universities.

17 Johnson C. Smith University is
18 dedicated to providing a world class education
19 to its students, those that are highly motivated
20 with diverse talents. The students at JCSU come
21 from a variety of ethnic, socioeconomic, and
22 geographic backgrounds.

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1 The University provides an
2 environment where they can explore and grow
3 intellectually, physically, socially,
4 culturally, and spiritually, and where they can
5 develop a sense of social and economic
6 responsibility.

7 Some of the significant
8 accomplishments that we have had at Johnson C.
9 Smith include our STEM College, our College of
10 Science, Technology, Engineering, and Math,
11 which has been ranked by Diverse Issues in Higher
12 Education magazine as 18th in the United States
13 in graduating African Americans in computer and
14 information science.

15 In addition, in 2012, we began our
16 efforts in our sustainability with the
17 construction of a sustainability village
18 designed to provide students a unique new living
19 and learning alternative built on sustainable
20 development, community food systems, and
21 alternative lifestyles that promote
22 conservation.

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1 Today I would like to focus on the
2 U.S. Department of Education's devastating
3 decision to change the eligibility rules for
4 parent PLUS programs, particularly in the
5 decision to use tougher credit standards and the
6 impact that this decision had on students and
7 families.

8 Under the Department's new credit
9 standards and loan application review process,
10 thousands of low-income minority students are
11 being denied access to college and a college
12 degree that is necessary for them and a stepping
13 stone in today's economy to a good job and to the
14 middle class.

15 As a result of the changes that were
16 implemented, more than 400,000 students
17 nationwide were initially denied the parent PLUS
18 loan, including 28,000 students of Historically
19 Black Colleges and Universities. According to
20 the data that was provided by the Department of
21 Education, only about 10 percent of these
22 students have been reconsidered and have

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1 actually received approval for a parent PLUS
2 loan.

3 As we all are aware, the higher
4 education marketplace has become very
5 competitive, and this is particularly true for
6 the highly motivated and highly talented
7 students at JCSU that we recruit. We are excited
8 that we were able to enroll 1800 students in the
9 fall of 2012. However, 120 plus of these
10 students were not able to continue their higher
11 education at Johnson C. Smith. It was difficult
12 for the administration, the staff, and the
13 faculty as we lost these 120 plus students
14 because of financial strains placed on them as
15 a result of the changes in the parent PLUS loan
16 application review, as well as other changes in
17 both state and federal funding, for an example,
18 the year round Pell.

19 We worked diligently with the
20 students and their families to help them find the
21 options to pay their balances, which included
22 increasing our unfunded institutional aid,

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1 resulting in an unexpected hit to the
2 University's operating budget.

3 And then, again, in addition, in
4 spring 2013, we were once again faced with tough
5 decisions, as we had 50 plus students who could
6 not meet their financial obligations because of
7 the constraints that were placed on them by the
8 Department of Education.

9 We realize that Johnson C. Smith is
10 no different from many other colleges and
11 universities across the nation, particularly
12 Historically Black Colleges and Universities,
13 and feeling the effects of the U.S. Department
14 of Education's decision to change the criteria,
15 the rules, and the approval process for families
16 for the parent PLUS loan.

17 Regardless, it still didn't make it
18 any easier to watch these students put their
19 academic careers on hold and, for some, to give
20 up altogether. We are proud that the University
21 did not shy away from the challenges caused by
22 the parent PLUS loan, but, rather, looked for

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1 other ways, for financial resources and other
2 alternative means to try to help these students.

3 As a point of comparison, Johnson C.
4 Smith University had 853 parent PLUS loan
5 applicants in 2011-12. Four hundred and
6 forty-four were approved. That is a 52 percent
7 approval rate. However, in 2012-13, as a
8 result of the changes implemented in the
9 criteria by the Department of Education, 740
10 applicants, only 175 were approved, resulting in
11 a 24 percent approval rate.

12 It is obvious by this data that the
13 decision by the Department of Education in
14 regards to the parent PLUS loan had a tremendous
15 and negative impact on our students and their
16 families.

17 In sitting back and trying to come up
18 with a couple of examples of how students were
19 affected and testimonies of students, it was
20 very difficult for me to do this. As the Dean
21 of Enrollment Services, I was the firsthand
22 involvement with all the students and families

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1 as we went through this crisis.

2 So, just to give you a little bit of
3 an example of what I personally experienced
4 while trying to work with families and students,
5 I will tell you that one single mother had to
6 decide whether or not to make a house payment or
7 to send the house payment money to her daughter
8 to help fill the gap in her tuition, to help pay
9 her bill.

10 Students and families in my office
11 distraught to tears because their dreams and
12 their life goals of becoming the first in their
13 family to graduate from college had suddenly
14 been shattered by decisions that were not part
15 of Johnson C. Smith, but rather the Department
16 of Education and the criteria change.

17 Family, parents, grandparents,
18 aunts, uncles calling and begging for extended
19 time to pay for their student's balanced. And
20 then, finally, one single mother who had been
21 denied the parent PLUS loan, who was at the same
22 time, unfortunately, involved in a domestic

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1 violence situation, resulting in her being
2 homeless, called begging me to allow her
3 daughter to stay in school because it was her
4 daughter's dream to graduate from college, but,
5 more importantly, because Johnson C. Smith
6 University provided a safe haven for her
7 daughter. She agreed to send her weekly
8 paycheck to Johnson C. Smith until the balance
9 was paid, and that she would continue to remain
10 homeless until she could get her feet back on the
11 ground. But her daughter's education was that
12 important. And as a result of the changes in the
13 criteria for the parent PLUS loan, she had no
14 other alternative but to turn to these means.

15 So, you see not just one story, but
16 many stories, some 120 plus students whose
17 dreams and goals of graduating from college were
18 all shattered because of these decisions by a
19 government entity who did not stop to think about
20 the impact that their decisions would have on our
21 future leaders, the impact that these decisions
22 would have on the future of our United States of

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1 America.

2 So, Johnson C. Smith University and
3 the other HBCUs recommend that we would like for
4 the Department to return to review all parent
5 PLUS loan applications for the current and
6 upcoming academic year under the credit
7 standards that existed prior to October 2011.

8 We urge the Department to consider
9 fair, flexible, and reasonable credit criteria
10 for parent PLUS loans under the 2013 negotiated
11 process. And we also, in light of the fact that
12 educational access for students at HBCUs has
13 suffered greatly as a result of the new parent
14 PLUS loan standards, we ask that the HBCU
15 institutions are granted representation among
16 the negotiators as we work through these issues.

17 While Johnson C. Smith University
18 shares the Department's concerns about families
19 being burdened with large amounts of debt, we do
20 not believe that the answer is restricting
21 access to college for low-income families who
22 most need higher education.

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1 Over the last five years, the annual
2 African American unemployment rate has averaged
3 70 percent higher than the national unemployment
4 rate and higher than any other demographic
5 group. The percentage of African American
6 families living below the poverty level between
7 2011 and 2007 is nearly double the national rate.

8 African American families have been
9 hit especially hard by the housing crisis and
10 more than twice as likely as the national average
11 to have received a foreclosure notice.

12 And then, in a report, 2013 report by
13 the Bureau of Labor Statistics, overall
14 homeownership rates fell by 2.1 percent from
15 2008 to 2010. For African Americans, the
16 relative decline in homeownership during the
17 period was at least double for that entire sample
18 and the highest of any other racial group.

19 These same families who continue to
20 suffer from the effects of the economy should not
21 have to face increased barriers to providing
22 access to college for their children.

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1 So, again, we ask that you go back and
2 reconsider the standards and also remember that
3 there are many students out there who have been
4 affected, the 120 plus at Smith, and other HBCUs
5 as well have students.

6 Thank you for your consideration of
7 this request. While we are eager to participate
8 in the upcoming negotiations, we know that the
9 process will be lengthy, but it is a matter of
10 urgency.

11 MS. MORAN: If you could wrap up?

12 MS. HURD: Our students and their
13 families need immediate relief.

14 Thank you.

15 MS. MORAN: Thank you, Ms. Hurd.

16 Our next speaker is Mrs. Akua J.
17 Matherson.

18 MS. MATHERSON: Good morning.

19 My name is Akua Johnson Matherson,
20 and I am Associate Vice Chancellor for
21 Enrollment Management. I bring you greetings on
22 behalf of North Carolina Agricultural and

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1 Technical State University and our Chancellor,
2 Harold L. Martin.

3 We appreciate the opportunity to
4 share with you some alarming statistics and data
5 witnessed on our campus this past fall as it
6 related to the unforeseen changes to the parent
7 PLUS loan.

8 North Carolina A&T's financial aid
9 office processed 2,691 applications for the
10 parent PLUS loan for fall 2012. Only 647 were
11 approved. Two thousand ninety-three of the
12 applications were denied. That equates to
13 slightly over 75 percent of the loans being
14 denied.

15 In academic year 2011-12, we
16 processed 2,275 applications, and 837 were
17 denied, or about 65 percent were approved. In
18 academic year 2010-11, we processed 1707
19 applications, and 686 were denied, or about 60
20 percent of the loans were approved. And in
21 2009-10, we processed 1454 applications, and 602
22 were denied, or about 60 percent were approved.

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1 For the previous three years, North Carolina A&T
2 hovered around an approval rate of between 60 and
3 65 percent. However, for the academic term that
4 we just completed, 2012-13, only 24 percent of
5 the PLUS loans were approved.

6 This created significant difficulty
7 for our students and their families at a time
8 when we also showed a measurable increase in the
9 number of overall applications received. While
10 not realizing the immediate significance of the
11 changes to the credit reporting for parents,
12 North Carolina A&T encouraged students to have
13 their parents apply for the PLUS loan to help
14 bridge the gap between aid and scholarship
15 packages to allow students to go to school.

16 We were blindsided by the volume of
17 denials and scrambled for answers and ways to
18 assist students. While we were able to help
19 some, we did end up losing students, both the
20 returning and the new freshmen, because of an
21 inability to pay.

22 While there are several factors that

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1 can contribute to a student dropping out of or
2 not returning to school, we were able identify
3 that several hundred students did not return to
4 school because of an inability to pay. And this
5 was linked to financial difficulties incurred by
6 not receiving the parent PLUS. For junior and
7 senior level students, this was an awful
8 realization of so near, yet so far away.

9 Once our financial aid office did
10 understand the gravity of the changes to the PLUS
11 loan, we still encouraged students to have their
12 parents apply, except now we are coaching
13 students on getting their parents to apply,
14 knowing that the parent will get denied, but that
15 the student will qualify for a subsidized loan
16 based on the parent's denial. This puts
17 students in a precarious position, upsets
18 parents and guardians, and led to some
19 embarrassing and demeaning situations for both
20 student and parent.

21 Other students were forced to seek
22 alternative and private loan options. These

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1 options often commanded a higher overall
2 interest rate. This was definitely not an
3 atmosphere that we wanted our students to start
4 a new academic year, but it was certainly the
5 arena that we were forced to play in this past
6 fall.

7 North Carolina A&T strongly suggests
8 that we review and revise the criteria for PLUS
9 loan approval, so that parents are able to assist
10 their students in obtaining a college degree.

11 At a time when our nation is
12 emphasizing the benefits of a college degree,
13 and that every student should have the ability
14 to obtain said degree, the recent changes to the
15 PLUS loan approval fly contrary to this notion.

16 In particular, at HBCUs, where
17 parents may not have the significant resources
18 to pay for education and school coffers do not
19 have billion dollar endowments, the PLUS loan is
20 the mechanism to afford all students the
21 opportunity of higher education. We have to
22 remember this is not a handout; it is a loan.

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1 The students and parents must and will pay it
2 back. We just need to be able to pay it forward,
3 so that they have an opportunity to attend,
4 matriculate, and graduate to become positive
5 vehicles in moving our economy forward.

6 Thank you.

7 MS. MORAN: Thank you, Ms.
8 Matherson.

9 Our next speaker is Alton Thompson.
10 Is Alton Thompson in the room?

11 (No response.)

12 Okay. Dr. Wilson? Is Dr. Wilson
13 from Morehouse here? Very good.

14 DR. WILSON: Thank you. Thank you
15 for this time. It is good to see some familiar
16 faces in the front of the room and in the back
17 of the room.

18 The Department of Education is right
19 to periodically address and reassess the rules
20 and the administration of the Direct PLUS Loan
21 Program. It is obligated to ensure that PLUS is
22 as accessible and beneficial as possible to the

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1 broadest segment of the population, at the same
2 time that it ensures a fair return on the
3 investment of taxpayer dollars. The
4 Department's responsibility, therefore, is
5 clear and compelling.

6 In considering the possible changes
7 to PLUS, the Department must also find ways to
8 protect and promote the original intent of the
9 program, which was designed to help ensure
10 access to higher education for all Americans.
11 Without PLUS, many parents simply could not fund
12 the college education for their children, and
13 this was particularly true, this is particularly
14 true for poor and minority students whose
15 families may have few or no resources to pay for
16 college.

17 Now the Department's most recent
18 change to PLUS which tightened the credit
19 criteria for parent loan eligibility appears to
20 have contributed to enrollment declines at
21 Morehouse College, as at a number of HBCUs. For
22 example, in the 2012-13 academic year, at

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1 Morehouse College we enrolled 125 fewer students
2 than expected. Normally, about 8 percent of
3 Morehouse students who pay a deposit to attend
4 do not enroll, but that number doubled to 16
5 percent, in part, we believe, because of the new
6 loan rules.

7 The loss in tuition revenue to
8 Morehouse is approximately \$5 million a year
9 this past year, and it looks to be in the future
10 as well, if the criteria remain the same.

11 But the greater loss is the possible
12 negative impact on the young men themselves and,
13 ultimately, on society. Perhaps these students
14 attended another college last year. Perhaps
15 they stopped out long enough to save the money
16 and will return. But the worst case is that they
17 may have dropped out of higher education
18 altogether. We may never know that.

19 But what we do know is that,
20 according to the National Center for Education
21 Statistics, students who enroll in college in
22 the fall immediately following their high school

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1 graduation have greater college completion
2 rates than those who delay. And we also know
3 that the students who graduate from college earn
4 84 percent more income over their lifetimes than
5 students who do not and who only graduate from
6 high school.

7 And finally, we know that there are
8 about 4.3 million African Americans with some
9 college and no degree. We do not want to add to
10 that number.

11 The bottom line is that college
12 education is a good investment. It is good for
13 the students. It is good for the families. It
14 is good for the nation. You all know that.

15 With that in mind, I recommend that
16 the credit criteria for PLUS be reconsidered. I
17 am not going to stand here and say that we revert,
18 simply revert back. I think that is not the most
19 responsible thing that I could say, even now that
20 I am a college president.

21 I arrived at Morehouse in the midst
22 of this controversy. And the thing that

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1 occurred to me was, while I understand the
2 adverse credit issue and the responsibility of
3 the Department, what about those students, in
4 our case what about the young men who were
5 performing quite well academically, and yet,
6 their family's condition made it so that they
7 would have to drop out?

8 So, that situation leads me to this
9 recommendation. And I will just state it very
10 quickly and sit down. I want to suggest that we
11 tie the PLUS loan interest rates and repayment
12 to student academic performance and persistence
13 to graduation.

14 For a variety of social and economic
15 reasons, populations most likely to need PLUS
16 may also be most likely to take longer to
17 graduate from college. And this places an extra
18 financial drain on the families. But a student
19 performance provision would incentivize parents
20 to work more closely with their children to
21 ensure progress toward graduation, and colleges
22 and universities would also be incentivized to

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1 do a better job at academic advisement, which is
2 a key factor in persistence to graduation, if the
3 performance of their PLUS loan students, in
4 particular, was included in the President's
5 College Scoreboard.

6 So, I want to suggest that we rebrand
7 and remarket PLUS, the PLUS program for parents,
8 as a family higher education loan. The idea is
9 that the students and their parents should come
10 to think of the loan as "our investment" as
11 opposed to the parent's debt.

12 Because we know that students
13 benefit financially from having a college
14 degree, we should set the expectation that they
15 will share the responsibility of helping to pay
16 for the cost of their education from their future
17 income, even as colleges and universities work
18 to ensure college is affordable by keeping the
19 cost down.

20 So, what I am suggesting is that we
21 adjust the criteria for parent creditworthiness
22 in accordance with current economic conditions.

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1 In cases where there is an economic downturn, the
2 rules will be relaxed in a performance-sensitive
3 way, so that parents do not have to forego or
4 postpone higher education for their capable
5 children because of job loss or negative
6 financial conditions that are likely to be
7 reversed when the economy recovers.

8 With this approach, an individual's
9 academic performance can trump a family's
10 adverse credit. All right? Thus, this
11 adjustment empowers the colleges to advise PLUS
12 about making exceptions for those students who
13 clearly have performed well enough to
14 legitimately be regarded as a better investment.

15 So, it is a very simple idea. Rather
16 than just revert, I suggest that we innovate and
17 add an academic performance measure to this,
18 because those students, no matter what their
19 family credit is, those students are more likely
20 to be employable and employed upon graduation,
21 which is precisely what we want.

22 Thank you.

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1 MS. MORAN: Thank you, Dr. Wilson.
2 Our next speaker is Mr. Chuck
3 Knepfle. Pardon me if I have mispronounced.

4 (No response.)

5 Is Mr. Chuck Knepfle in the audience?

6 (No response.)

7 Oh, I'm sorry. Mr. Alton Thompson?

8 (No response.)

9 Mr. Robert Jennings is with us from
10 Lincoln University?

11 DR. JENNINGS: Good morning.

12 I am Robert Jennings, the President
13 of the Lincoln University, the nation's oldest
14 degree granting institution for persons of
15 African descent in the world.

16 I am delighted to appear before you
17 today to share my concerns on how the PLUS loan
18 program is impacting the students who apply to
19 my University, in particular, and low-income
20 students in general, especially those who are
21 minorities.

22 You may not be aware of it, but for

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1 the last 159 years the Lincoln University has
2 combined the elements of a liberal arts and
3 science based undergraduate curriculum along
4 with the select graduate programs to meet the
5 needs of those living in a highly technological
6 and global society.

7 Today we enroll 2,000 young men and
8 women. My University is a State related
9 institution in the Commonwealth of
10 Pennsylvania, meaning we receive a small
11 appropriation, approximately 14 percent of our
12 budget, from the state. This amount, however,
13 has been cut each year for the past five years,
14 and we have been notified that the amount for the
15 incoming year will be the same as it was last
16 year.

17 This is devastating because we have
18 to raise tuition as a means of meeting the
19 increase in insurance cost, deferred
20 maintenance, and faculty salaries. In fact,
21 staff salaries have not been raised in the last
22 four years, not even a cost-of-living increase,

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1 which we all know has continued to rise.

2 Most importantly, we have had more
3 than 173 percent increase in scholarship
4 requests by those students who attend our
5 University. This is understandable because 64
6 percent of all of the students are the first in
7 their families to ever go to college, and 57
8 percent come from single parent headed
9 households, mostly headed by females.

10 Just three years ago, we had an
11 enrollment of 2500 students. This past year, we
12 only had 2,025 students. Our research shows
13 that students did not return or apply because of
14 a lack of financial aid, including the parent
15 PLUS loans that many of our parents were denied.

16 In 2011-12, 1,295, or 51 percent,
17 applied for parent PLUS loans. However, 573, or
18 44 percent, were denied. During the 2012-13
19 school year, 1,160, or 45 percent, applied for
20 a PLUS loan. Of this number, 858, or 74 percent,
21 were denied.

22 The greatest need at the Lincoln

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1 University is by far scholarship support for
2 both married and need based students. Even
3 after adding up scholarships, grants, and the
4 maximum amount that most of our students can take
5 out in federal student loans, the cost of an
6 education, even at a State related institution
7 like Lincoln, is still out of reach for many of
8 them.

9 For years, the parent PLUS loan
10 program has been a necessity and certainly a help
11 to most of the students attending the Lincoln
12 University. In most instances, parents
13 applied, and the government quickly approved the
14 loans. Today, the change in parents having any
15 indentation on their credit report is causing
16 them to be denied, including one or two late
17 payments which they may have caught up or could
18 have been lost in the mail, as one parent
19 reported to me a couple of weeks ago.

20 Even though there is an appeal
21 process, when you are not a parent with a college
22 education, as many of our parents are not, you

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1 often become frustrated and give up on the
2 process. Thus, is not helpful to the son or
3 daughter who desperately needs the support to
4 attend or to stay in school.

5 Falling into delinquency on the
6 loans has damaged the credit of several parents
7 who would use this as a means of their assisting
8 their child. As one parent explained to me just
9 yesterday, "This economy has taken a toll on our
10 entire family. There were four adults residing
11 in my household. We were all working, but three
12 have been laid off due to company closures or
13 cutbacks."

14 All of these individuals, as she
15 explained, were pitching in to help the student
16 to pay to get a degree. As a result of this
17 parent losing her job, she was late making
18 payments on several of her bills, leading to a
19 negative indentation on her credit report and
20 making her ineligible to borrow more for her
21 child's education.

22 This parent is not alone. As the

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1 cost of college has spiraled even upward and
2 median family income has fallen, the parent PLUS
3 loan program has become indispensable for
4 increasing numbers of parents desperate to make
5 their children's college plans work.

6 The shift in regulatory
7 interpretation has resulted in the loss of
8 students attending the Lincoln University, not
9 to mention that, for every 100 students we lose,
10 it amounts to \$2 million in revenue. This is
11 adversely the University's survival and
12 crippling students, their families, and the
13 communities that we are known for serving.

14 The departmental shift in regulatory
15 interpretation has disproportionately affected
16 the number of students enrolling in our
17 University for the fall semester, which begins
18 August 15th. Our numbers are down by more than
19 800 students. And when we started calling more
20 than a month ago to find out why they were not
21 accepting our offer of enrollment, we were told
22 by more than 86 percent of those with whom we

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1 spoke that it was because they could not get the
2 PLUS loan to help pay for their expenses.

3 Your change was definitely not
4 anticipated. And with the cuts that you have
5 proposed and will be making in other federal
6 funding sources upon which our institutions
7 depend, this is devastating.

8 Let me close by asking you to
9 reconsider your position and delay your actions
10 until next year, which would at least give
11 parents and families ample time to make other
12 arrangements.

13 Thank you.

14 MS. MORAN: Thank you, Mr. Jennings.

15 Our next speaker is Eric Eaton. Is
16 Eric in the audience?

17 MR. EATON: Good morning, everyone.

18 My name is Eric Eaton. I am the
19 Chief Financial Officer at South Carolina State
20 University in Orangeburg, South Carolina.

21 I would like to thank you for the
22 opportunity to address the panel on the issue

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1 related to parent PLUS loans.

2 All the speakers that have gone
3 before me have very articulately framed the
4 issue as it relates to the impact of the change
5 in the programs at all institutions, but
6 specifically HBCU institutions. And what I
7 would like to take a few minutes to do is just
8 to give you essentially the color and the flavor
9 of how these changes have specifically impacted
10 students at South Carolina State.

11 South Carolina State University is a
12 four year, comprehensive teaching and research
13 institution in Orangeburg, South Carolina. Our
14 current student enrollment is approximately
15 3,500, which is down significantly from just a
16 couple of years ago, when our student enrollment
17 was 4,500 students.

18 In the State of South Carolina, the
19 University still turns out a very high
20 proportion of students in the fields of teacher
21 education, speech pathology, engineering
22 sciences and technologies. Our students go on

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1 to graduate and professional schools at very
2 high rates.

3 In addition to that, the school runs
4 a very active and prominent ROTC program. To
5 date, we have turned out 17 general or flag level
6 officers to the ranks of the United States
7 military.

8 To give you a flavor of our student
9 population and their economic demographics, you
10 will look at the typical South Carolina State
11 University student and find that roughly 90
12 percent of our student population requires some
13 form of financial aid. With that in our student
14 population, roughly 54 percent of those students
15 come from families with household income of less
16 than \$30,000 a year.

17 In addition, as described by many of
18 the speakers, you also find South Carolina State
19 is still the destination for many of these
20 students who are very much first time college
21 attendees from their families.

22 So, South Carolina State plays a

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1 large role in this. We serve a community and a
2 student populace that is very much in need of a
3 university like ours because it gives them a step
4 up to move forward and to break a cycle of
5 economic disadvantage that has existed for them.

6 The changes in the parent PLUS loan
7 for us over the last three years has had a
8 catastrophic effect on our student population,
9 and I will summarize those statistics as
10 follows, just to give you some flavor of the
11 impact:

12 In our academic and fiscal year ended
13 June of 2011, we processed 3,100 applications
14 for the parent PLUS loan. We had 954 approvals,
15 about a 31 percent approval rate, and we
16 disbursed \$8.7 million in funds. In the
17 succeeding year ending June 30th of 2012, we
18 processed 3,400 applications. We experienced a
19 slight decrease in the approval levels to 26
20 percent. So, we had roughly 900 approvals, but
21 at a higher loan rate, most likely due to
22 economic conditions. We disbursed \$10.5

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1 million in funds. For the academic and fiscal
2 year that will be ending in a couple of weeks,
3 the application levels that we processed dropped
4 down to 3,000 students, but our approval rates
5 fell to 11 percent, and we only had 335 students
6 approved, and we disbursed only \$4.7 million in
7 loan proceeds.

8 The impact to the students and to the
9 University as well, was substantial. We saw
10 other evidences of this impact at the beginning
11 of the fall semester of this academic year,
12 whereby we had 1100 students that had some level
13 of financial aid, but with the absence of the
14 parent PLUS loan and probably other resources,
15 only 400 of those students were able to continue
16 their education in this academic year. That has
17 seriously contributed to a very difficult
18 environment of student attrition that we are
19 experiencing at the University.

20 In closing my comments, I would echo
21 the comments of the speakers before me. We would
22 look forward to working with the Department of

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1 Education on revamping and restructuring the
2 criteria for the parent PLUS loans. Actually,
3 to paraphrase a comment that just recently
4 occurred, we can look at a number of ways to do
5 this creatively. Even though we call this a
6 loan, this is actually an equity investment in
7 the future of America and the future of the
8 students of the United States. So, we would very
9 much call on the agency to revisit how this
10 program operates.

11 Thank you very much.

12 MS. MORAN: Thank you.

13 And with that, we are going to take
14 a 15 minute break. We are running a little bit
15 ahead of schedule. So, if we could reconvene in
16 15 minutes that would be 10:40.

17 (Whereupon, the foregoing matter
18 went off the record at 10:27 a.m. and went back
19 on the record at 10:41 a.m.)

20 MS. MORAN: Okay. We will resume
21 again.

22 Chuck Knepfle, who was scheduled for

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1 10:40, is he in the room?

2 (No response.)

3 No? Okay. Then, we will move on to
4 Dr. David Swinton.

5 DR. SWINTON: Good morning.

6 To the Chairman and the members of
7 the Committee, I appreciate the opportunity to
8 present before the Committee today on behalf of
9 Benedict College and other similarly situated
10 college and universities.

11 We thank the Department of Education
12 for the work it is doing to address the problems
13 created by the change in PLUS credit criteria
14 last fall. While this change was abrupt and
15 without clear notification and explanation, the
16 more important issue is that this took change
17 took away resources that thousands of students
18 and their parents needed to be able to afford to
19 attend the college of their college. And the
20 Department did not provide an alternative source
21 to replace most of the lost funds.

22 We believe that the Department of

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1 Education has an obligation to ensure that
2 adequate financial resources are available, to
3 provide equitable access to the opportunity to
4 attain a higher education for all Americans.
5 This is especially important if the country is
6 to achieve the national goal of having the
7 highest proportion of college graduates in the
8 world by 2020.

9 The PLUS loan action taken in the
10 fall has had, and will continue to have, just the
11 opposite impact unless it is reversed. The
12 impact of this action was particularly harmful
13 for Benedict College and our students. We serve
14 students and families that are extremely
15 disadvantaged. We serve large numbers of
16 students who come from the segments of our
17 population who have high poverty rates. Over 85
18 percent of our students are eligible for Pell
19 Grants. They have relatively low family
20 incomes, limited wealth and family human
21 capital, low academic achievement in a public
22 school system pre-college, and many racial and

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1 socioeconomic disadvantages.

2 Benedict College has been committed
3 to serving such disadvantaged students for 143
4 years, but our ability to serve these students,
5 and serve them effectively, depends on the
6 availability of financial resources to these
7 students. Yet, serve them we must if America is
8 to achieve its national educational goal and her
9 true potential.

10 Federal financial aid is the main
11 source that this constituency has to pay for
12 their college education. Further, loans and
13 grants, state and private grants and
14 scholarships and college support in the form of
15 scholarships and grants make up the bulk of
16 resources available to these students and their
17 families. And among these sources, federal
18 loans are the most important for our families.

19 In 2011-2012, for example, federal
20 loans accounted for \$39.8 million, or 67.6
21 percent, of available external funds for these
22 families. In 2012-2013, federal loans declined

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1 to \$34.3 million, or 66 percent of available
2 external funds.

3 Federal Pell grants and FSEOG grants
4 totaled \$13.9 million, or 23 percent, in
5 2011-2012, and they also declined in total to
6 \$12.7 million, or 24.65 percent of external
7 resources in 2012-13.

8 In both years, however, federal
9 funds accounted for over 89 percent of
10 non-college aid available to these students.
11 The college provides students with scholarships
12 and need based grants totaling \$16.9 million in
13 2011-2012 and \$18.4 million in 2012-2013.

14 The abrupt PLUS loan change had two
15 distinct impacts on the college. First, the
16 college lost over 300 first-time freshmen who
17 did not report in the fall because of the
18 unavailability of the PLUS loan to help pay their
19 cost. Parents and students receive information
20 from the college about the cost of attendance and
21 the potential availability of resources to cover
22 the cost. Most of our families cannot cover the

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1 cost of attendance for a boarding student
2 without the PLUS loan.

3 An out of state student would have
4 aid ranging from 9.5 to 16 thousand, depending
5 on the amount of Pell and FSEOG they are eligible
6 for. An in-state student would have aid ranging
7 from 9.5 to 23.6 thousand, depending on the
8 amount of Pell, FSEOG, and South Carolina aid
9 they are eligible for.

10 The total direct cost of attendance
11 for a boarding student at Benedict is \$26.4
12 thousand. That is even with our modest private
13 college cost. Before any Benedict College aid,
14 a student may have a shortage ranging from \$2.8
15 thousand to \$16,890. The PLUS loan is the only
16 form of federal financial aid that would enable
17 a family to cover 100 percent of unmet need.

18 Like all colleges, we plan and budget
19 based on our historical experience. We expect
20 financial aid receipt by students to be
21 relatively stable. Thus, for the fall of
22 2012-2013, we expect roughly the same average

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1 PLUS loan approval rates we experienced over the
2 recent past. The PLUS loan approval rate was
3 always relatively low for our constituency. In
4 2009-2010, it was 35 percent. In 2010-2011, it
5 was 38 percent. And in 2011-2012, it was 43
6 percent. It had been going up for the last three
7 years. Over the past three years, the average
8 approval rate was 39 percent.

9 It was a shock when we determined
10 that the initial rate in 2012-13 was only 12
11 percent for students who actually enrolled.
12 Relative to the approval rate in 2011-2012, the
13 approval rate in 2012-2013 was only 28 percent
14 of the previous years.

15 We appreciate the fact that the
16 Department of Education implemented an appeals
17 process that produced significant increases in
18 approvals. The rate after appeals doubled,
19 increasing by an additional 12 percent, to a
20 total approval of 24 percent. Nonetheless, even
21 with our aggressive approach to pursuing the
22 appeals process, the final 2012-2013 approval

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1 rate was still only 55 percent of the previous
2 year's approval rate.

3 We estimate that, taking into
4 account the 300 students who did not enroll and
5 allowing the maximum \$4,000 extra unsubsidized
6 loan available for denied enrollees, the college
7 and our families lost over \$11 million in revenue
8 because of the PLUS loan credit criteria change.

9 Benedict College worked with our
10 parents and students to not return any student
11 back home because of the Department of
12 Education's denial of a PLUS loan. We, however,
13 had no additional revenue to replace these lost
14 funds. We were able to absorb this in 2012-2013
15 by drastically reducing normal operating costs,
16 cutting all faculty staff and administrators'
17 pay, and refinancing outstanding debt to reduce
18 debt service cost. However, these adjustments
19 need to be restored once this problem is resolved
20 to allow the college to operate at a more normal
21 level.

22 Because the Department's appeal

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1 process is not symmetrical for new students, the
2 situation will worsen as more new students enter
3 or attempt to enter college without a change in
4 the criteria.

5 We believe that the Department of
6 Education should recognize that federal student
7 loans are financial aid designed to promote
8 greater college attendance by reducing the
9 financial barrier to attendance. It is
10 inappropriate, in our view, and unfair to use
11 credit criteria to deny access to this aid to the
12 very families who need it most and who have not
13 defaulted on any federal obligation.

14 Obviously, because of the poor
15 socioeconomic status of most of the
16 disadvantaged, they will have low credit ratings
17 by traditional industry standards. To apply
18 these criteria will exclude the neediest
19 families, despite their willingness to
20 sacrifice and borrow the funds to support their
21 students, and students from the resources they
22 need to attend college.

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1 There is no way to promote equal
2 opportunity for the most disadvantaged without
3 taking some risk greater than that taken for
4 advantaged students. But if we want to achieve
5 the college attendance goals for our society, we
6 must be prepared to accept this greater risk.

7 At the present time, black male
8 four-year college graduation rates are only 19.2
9 percent compared to 35.5 percent for white
10 males. Similarly, black female four-year
11 college completion rates at 22.9 percent are
12 10.6 percentage points lower than the completion
13 rate for white females. If we do not change
14 these criteria, these rate gaps will only
15 worsen.

16 The federal government could
17 eliminate the entire issue very easily by
18 significantly increasing grants to substitute
19 for the loans. If the Pell grant had the same
20 purchasing power today as it had in the 1970s,
21 it should be \$13,000 instead of \$5,500. This,
22 however, would clearly be far more expensive for

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1 the government, but would be the most helpful
2 solution for the excluded families.

3 In the absence of sufficient
4 additional grants and aid, it is absolutely
5 essential --

6 MS. MORAN: If you could just wrap
7 up? You are at time.

8 DR. SWINTON: Yes, I am about
9 finished.

10 MS. MORAN: Okay.

11 DR. SWINTON: It is absolutely
12 essential that the revised credit standards be
13 revoked. We suggest that the Department of
14 Education should not deny any family a loan to
15 cover the direct cost of attendance, so long as
16 they are not in default to the federal government
17 and the student is just beginning or is
18 continuing to make satisfactory academic
19 progress.

20 Thank you for the opportunity to
21 present to you.

22 MS. MORAN: I understand that Mr.

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1 Chuck Knepfle is here.

2 MR. KNEPFLE: Good morning.

3 My name is Chuck Knepfle. I am the
4 Director of Financial Aid at Clemson University
5 and Chair-Elect for the National Direct Student
6 Loan Coalition.

7 As well as providing comments
8 relevant to the students up the road at Clemson,
9 I also speak to you today on behalf of the schools
10 in the National Direct Student Loan Coalition,
11 a grassroots organization comprised of
12 institutions dedicated to the continuous
13 improvement and strengthening of the direct loan
14 program.

15 I would like to thank the Secretary
16 and the Undersecretary for the opportunity to
17 share with you, comments on federal student loan
18 program regulations that may be addressed in the
19 negotiated rulemaking process later this year.

20 It is my hope and request that the
21 Direct Loan Coalition be able to participate as
22 we have in the past. I believe we provide a

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1 balanced student centered approach to the
2 negotiation process and can effectively
3 represent all 5,000 plus direct loan schools.

4 My testimony will focus on four
5 distinct areas that I urge the Secretary to
6 consider when selecting regulations to submit
7 for negotiation.

8 Seamless front-end for loan
9 servicing, enhancing electronic options for
10 disbursement, reduced administrative burden,
11 and defining adverse credit in the Direct PLUS
12 Loan Program.

13 Students continue to be confused by
14 who services their Direct Stafford loan, and
15 there is a fear that the recent increases in
16 cohort default rates may be related to an
17 individual student's ability to know and
18 understand who holds his or her direct loan.
19 While they may look up the name of the servicer
20 in the NSLDS database, the reality is that many
21 do not take this extra step.

22 The technology exists to have one

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1 point of entry into federal loan servicing,
2 where a student logs into the system and is
3 automatically redirected based on which
4 servicer holds the loan.

5 The same could be accomplished with
6 a toll-free phone number that asks the student
7 to log in and, then, redirects the call to the
8 appropriate servicer. There is no reason a
9 student needs to know the servicer to whom their
10 loans are assigned.

11 The IRS works like this. Tax filers
12 are assigned to a private servicer, but we do not
13 know to whom we are assigned.

14 Since the Department can always link
15 a borrower to a servicer, even the customer
16 service surveys could be accurately matched
17 without the borrower knowing who was servicing
18 loan.

19 This service improvement has the
20 potential to simplify the process for borrowers
21 and reduce administrative burden for financial
22 aid office staff who are spending increasing

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1 amounts of time assisting former students in
2 navigating the unnecessarily complex loan
3 servicing environment.

4 Disbursement options.
5 Disbursement using electronic funds transfer is
6 widely used on many campuses. This process
7 generates cost savings for institutions and can
8 be more timely and convenient for the student.
9 Use of debit cards to access funds in lieu of EFT
10 presents opportunities and challenges, and
11 regulatory guidance should focus on student
12 needs, security, transparency, and
13 accountability.

14 Students should be able to decide
15 between electronic options for receipt of funds.
16 Access to funds should be convenient, not be
17 limited. Funds should be available without a
18 fee to the student.

19 Institutional relationships with
20 the debit card provider should be disclosed.
21 Guidance should prohibit inducements for the
22 institution from the service provider.

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1 Given the rapid rate of
2 technological advancement, regulatory guidance
3 in this area should be drafted to accommodate new
4 technologies, as long as there are appropriate
5 safeguards and no student fees.

6 Third, reducing administrative
7 burden. The current process used to request and
8 report on utilization of Higher Education Act
9 Title IV campus based funds, the FISAP, would
10 benefit from re-engineering. Most of the data
11 required is currently available in other
12 Department of ED data systems. Much of the data
13 is not relevant in light of current funding
14 levels and the current allocation formula for
15 campus-based aid. And categories of
16 information collected are out of date and
17 provide little value for analysis by the
18 Department of Education or by schools. A review
19 of this process to collect data that is
20 meaningful and not available from other sources
21 is long overdue.

22 Second, consideration for

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1 performance based regulations prevents the
2 opportunity to reduce administrative burden for
3 institutions while simultaneously improving
4 outcomes. There are currently important public
5 policy goals that could be targeted as
6 performance measures, such as reducing average
7 debt at graduation, reducing institutional
8 default rates, or making significant
9 improvement in graduation and/or retention
10 rates.

11 Examples of regulatory relief in
12 other areas where regulations are burdensome or
13 of questionable value would be loan proration
14 for students completing the final term of a
15 four-year degree program. This requirement
16 currently reduces available resources when
17 students are so close to achieving their goals.

18 Entrance loan counseling.
19 Meaningful counseling can be offered at more
20 strategic times, when it is proven to be more
21 beneficial for borrowers, not necessarily at the
22 beginning of the loan period.

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1 Additional flexibility for schools
2 in the transfer of funds between FSEOG and
3 work/study. A redesign of requirements for
4 awarding FSEOG, acknowledging that institutions
5 can determine how best to serve their neediest
6 students.

7 Also, increased flexibility to allow
8 a student to authorize use of refunds for prior
9 year charges and other incidental charges such
10 as parking tickets or library fines.

11 Or, in cases where a check would be
12 issued for a small refund, say \$10 to \$25, to a
13 student, the institutional option to roll that
14 credit balance forward to apply to future
15 charges or include with a subsequent refund.

16 And lastly, few graduate students
17 receive need based funding now that the interest
18 subsidy on federal loans has been eliminated.

19 Though income data is necessary for
20 some graduate students who are eligible for
21 work/study or Perkins, we propose the skip logic
22 they use to eliminate income questions for

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1 graduate students who are not requesting
2 consideration for needs-based programs.

3 And finally, adverse credit in the
4 Direct PLUS Program. It is critical that any
5 changes to the PLUS loan approval regulations
6 keep the process consistent and predictable for
7 borrowers. I understand that measuring a
8 family's ability to repay a PLUS loan is a
9 complicated issue that needs to balance a
10 measure of a parent's ability to repay against
11 preventing excessive debt burden which could
12 force the borrower into default. But I urge
13 negotiators to ensure the consistent
14 availability to borrow over all years of a
15 student's educational program, avoiding a
16 situation where the loan debt from the first
17 years prevents the ability for that parent to
18 borrow in the last years.

19 In closing, I would like to thank you
20 again for the opportunity to present this
21 testimony on behalf of both Clemson University
22 and the National Direct Student Loan Coalition.

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1 Many of our members were the first schools to
2 implement the Direct Loan Program almost 20
3 years ago and have years of expertise on
4 operational policy issues as well as compliance
5 with the regulations for the program. The
6 Coalition looks forward to participating in the
7 negotiated rulemaking process that will occur
8 later in the year.

9 Thank you.

10 MS. MORAN: Thank you.

11 Our next speaker is Dr. Dwaun
12 Warmack. Pardon if I am mispronouncing.

13 DR. WARMACK: Good morning.

14 My name is Dwaun Warmack, and I serve
15 as the Vice President for Enrollment Management
16 and Student Development at Bethune-Cookman
17 University, Daytona Beach, Florida.

18 I am just going to touch
19 briefly -- there has been a lot of rich
20 information here -- so I am just going to talk
21 about the systemic impact at Bethune-Cookman
22 University, and then, walk you through a story.

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1 So, 2010-2011, Bethune-Cookman
2 University had 2,141 applications. Nine
3 hundred and seventy-eight of those were
4 approved; so, giving us a 46 percent approval
5 rate, netting about \$8,900,000. The following
6 year, 2011-12, we had 2,410 applications, about
7 a 49-percent approval rate, bringing in about
8 \$10,800,000. In 2012-2013, we had 2,097
9 applications, with applications that are
10 approved, 318 out of 2,097, giving us about a
11 15-percent approval rate, bringing in about \$3
12 million, so a net loss of about \$7.5 million
13 between those two years without any sort of
14 warning, which impacted us in a lot of different
15 ways.

16 Because after we ran our data a
17 little more deep with that we noticed that 237
18 of our juniors and seniors were going to be
19 systemically impacted by that. So, I challenged
20 my President along with my Chief Financial
21 Officer to tap into institutional funds to allow
22 those students to graduate. And so we did that.

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1 So, we took a huge hit there. But,
2 institutionally, we can't survive that again, as
3 an institution.

4 So, I will even say, looking at our
5 current numbers now, we have 612 applications,
6 85 approved. So, giving us a 13.8 percent
7 approval rate for the upcoming fall semester,
8 which is extremely challenging.

9 So, for me, it is that we want to ask
10 that you guys really consider the impact that it
11 is having on our students.

12 I want to walk you through a story
13 really fast. It should take no more than two
14 minutes. You can close your eyes and walk with
15 me.

16 Imagine a young African American
17 male from Detroit, Michigan, growing up in the
18 projects called Parkside Project in that city.
19 A single parent home; mother raised five boys by
20 herself in this project. This kid is the middle
21 of three. Two older brothers never attended
22 college. Both have GEDs. Mom has a middle

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1 school education.

2 At 16, this young man was shot at a
3 family function during a drive-by. After that,
4 the young man ended up graduating from high
5 school with a 1.9 GPA, 40 absences in a row.

6 Because of that, the young man's
7 educational endeavors were challenged, but he
8 had the opportunity to attend a local community
9 college two hours away. Because of that, his
10 federal financial aid, his mom's financial
11 situation with zero EFC allowed him to have a
12 substantial Pell grant, but mom did not want to
13 allow that student to move back to Detroit. So,
14 with that being said, the parent challenged him
15 and took out a parent PLUS loan, so he can stay
16 at a private school that was nearby.

17 I stand in front of you today as that
18 young man with an Associate degree, a Bachelor's
19 degree, two Master's degree, and a Doctoral
20 degree, because of my mom sacrificing to take out
21 that parent PLUS loan.

22 And for me, it is not an HBCU issue.

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1 I am not a product of HBCU. So, I have attended
2 all predominantly white institutions. This is
3 a moral, right issue for me in allowing access
4 to students who may not have access at a
5 different time.

6 So, I challenge the Committee to
7 really think about the systematic impact that
8 this decision is made to not allow students to
9 have opportunities that may not have
10 opportunities in the future.

11 Thank you.

12 MS. MORAN: Thank you, Mr. Warmack.
13 Myra Woodson? Is Myra Woodson here?

14 MS. WOODSON: Good morning.

15 Thank you for the opportunity to
16 speak this morning. My name is Myra Woodson, and
17 I am an Organizing Coordinator with Service
18 Employees International Union.

19 We represent 2.1 million members.
20 Nationally, we represent 15,000 part-time
21 faculty, and in the State of California we
22 represent the full-time faculty.

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1 We encourage the Department of
2 Education to develop strong gainful employment
3 rules to prevent poor performing career
4 education programs from receiving federal
5 funds, and encourage institutions to improve
6 their employment outcomes for graduates.

7 We also encourage the Department to
8 strength rules that would prevent schools from
9 evading other current laws that are designed to
10 protect students and taxpayers.

11 Many of our members and their
12 families pursue educational opportunities to
13 get degrees and certificates that can be
14 pathways to better paying jobs. However, in too
15 many instances our members and their families
16 are simply left with debt they cannot repay and
17 worthless degrees or no degrees at all.

18 Many of our members are low-income
19 workers who rely on federal aid for quality
20 education. Our members and their families also
21 include veterans who have served this country
22 honorably, but are being failed by for-profit

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1 institutions that bank the veterans' GI bill
2 funds, but provide a subpar education.

3 This is ample evidence that strong
4 rules are needed to improve performance and
5 accountability as it relates to for-profit
6 institutions. For-profit institutions
7 represent about 13 percent of students, but
8 account for nearly half of America's federal
9 student loan defaults. Nearly a quarter of
10 borrowers who attend for-profit colleges enter
11 into default within three years of entering
12 repayment.

13 As you know, focusing solely on
14 default rates seriously underreports the degree
15 of financial distress of the borrowers. Many
16 others are in deferment or forbearance and do not
17 yet show up in the cohort default rate.

18 These high debt and default levels
19 have significant consequences for borrowers.
20 Default impacts credit, which may be a barrier
21 to finding housing or financing a car necessary
22 to get to and from work. People in default may

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1 also be denied professional licenses. These
2 high default rates are particularly
3 problematic.

4 And many for-profit institutions,
5 public and non-profit colleges have
6 substantially low rates of student loan default.
7 The Department has a responsibility to borrowers
8 and to taxpayers to ensure that career training
9 and educational services that are financed by
10 taxpayers actually result in positive outcome
11 for borrowers. Career training should lead to
12 a career.

13 We strongly encourage the Department
14 to pursue regulations that end federal funding
15 for the Royce Programs and reduce funding for
16 other poorly performing institutions.

17 Please also consider interim
18 consequences for schools that fill some, but not
19 all of the gainful employment measures.
20 Currently, schools that are nearly complete
21 failures continue to receive federal aid. We
22 encourage the Department to strengthen

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1 regulations that prevent abuses of the 90/10
2 rule. We are aware that the legislation is
3 necessary to improve accountability and
4 performance in this area. However, the
5 Department can strengthen regulations that
6 prevent institutions from reorganizing or
7 combining campuses for the sole purposes of
8 avoiding the 90/10 rule.

9 For example, institutions should not
10 be allowed to combine Office of Postsecondary
11 Education ID numbers to higher programs that
12 fail to meet the 90/10 rule. To prevent this
13 manipulation, the Department should require
14 continued compliance under former OPEIDs for at
15 least three years after any change in the OPEID
16 and sanction any that would have exceeded the
17 90/10 rule before the change in that OPEID. In
18 addition to this suggestion, the Department
19 should explore every avenue allowed within
20 current law to prevent abuse and manipulation of
21 the 90/10 rule.

22 The Department should also

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1 strengthen regulations to prevent similar
2 manipulation of the cohort default rate. Too
3 many for-profit colleges are gaming the CDR
4 numbers.

5 Finally, either strengthen your fall
6 certification rule or otherwise create a rule to
7 block federal aid to programs whose graduates
8 are not eligible to sit for licensing exams in
9 those careers that require a license, such as
10 law, medical, plumbing, electricity. It is
11 unconscionable to allow students to waste their
12 federal aid and their time in programs whose
13 graduates are not even allowed to try to pass a
14 licensing test. The for-profit schools
15 offering scams know that their graduates are not
16 eligible to work in those promised careers.

17 As a union that represents higher
18 education faculty members across the country
19 and, also, as a union that represents workers
20 that seek degrees and certificates to improve
21 their ability to secure higher paying jobs, it
22 is important that the Department of Education

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1 ensure the highest standards of performance
2 among all educational institutions.

3 We look forward to working with the
4 Department of Education.

5 Thank you.

6 MS. MORAN: Thank you.

7 We are moving a little bit ahead of
8 schedule.

9 The next speaker is Deborah Karvey,
10 if she is in the audience. Deborah Karvey?

11 (No response.)

12 No?

13 Dr. Beverly Tatum from Spelman?

14 DR. TATUM: Good morning.
15 Certainly, I want to start by welcoming the
16 Department of Education on behalf of the Spelman
17 College Faculty, Staff, and Students. We are
18 delighted that you are here for this purpose and
19 certainly appreciate the opportunity to speak to
20 the subject at hand.

21 Certainly I and others in the HBCU
22 community look forward to working with the

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1 President and the Department to address the
2 topics considered in this hearing,
3 particularly, reconciliation of issues
4 associated with the Parent PLUS Loan Program.
5 You have my statement already. So I will give
6 you the highlights.

7 Certainly I want to begin by
8 identifying our location, which of course is
9 Spelman College. And we are a premiere
10 undergraduate institution of higher education
11 comprised of approximately 2100 students from 41
12 states and 15 foreign countries.

13 There is much that I could say about
14 Spelman and I know you are familiar with this but
15 I want to highlight that our graduation rate has
16 been as high as 83 percent until the economic
17 downturn and it now hovers at about 77 percent,
18 the direct result of financing challenges.

19 The point has already been made by
20 others that President Obama's ambitious goal for
21 improving or increasing graduation rates by 2020
22 does seem to be contradicted by the change in the

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1 Parent PLUS Loan implementation and its impact.
2 Certainly, we understand the importance of
3 graduation and the need to develop the nation's
4 talent. And Spelman places a strong emphasis on
5 science, technology, engineering, and
6 mathematics education in particular. Nearly a
7 third of all Spelman graduates are STEM majors.
8 Spelman is also a top producer of African
9 American female students who continue on to
10 obtain advanced and terminal degrees in the STEM
11 fields.

12 Clearly, the nation cannot afford to
13 waste any of this talent. A notable example of
14 Spelman's commitment to STEM education is the
15 success of the Spelman robotics team, known as
16 the SpelBots. In 2005, the SpelBots became the
17 first all-women African American team to compete
18 in the RoboCup four-legged robot soccer
19 competition. RoboCup is considered to be the
20 Olympics of robotics and artificial
21 intelligence. Making history yet again in 2009,
22 the SpelBots tied for first place in the RoboCup

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1 Japan 2009 standard platform league humanoid
2 soccer championship.

3 I share this background information
4 as an introduction to the important issues we
5 have come to discuss. And so let me highlight
6 the detrimental effects of the changes in the
7 determination of adverse credit history for the
8 Direct PLUS Loans, specifically the Parent PLUS
9 Loans. The need to resolve issues with the
10 Parent PLUS Loan program is of the utmost and
11 critical importance to the HBCU community.

12 In October 2011, the Department of
13 Education's changes to the criteria for
14 determining an adverse credit history for
15 purposes of obtaining a Parent PLUS Loan took
16 effect. And while the changes were not well
17 publicized, they had a very public and extremely
18 detrimental effect. The Department added
19 additional criteria that could result in a
20 determination of an adverse credit history,
21 including unpaid collection accounts and
22 charged-off debt. These changes resulted in a

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1 sharp increase in Parent PLUS Loan denials for
2 the fall 2012 semester. At a time when college
3 costs continue to rise, any change to financial
4 programs that make paying for college more
5 difficult must be carefully considered.
6 Financial aid programs are, in many cases, the
7 only way that countless students are able to
8 manage the cost of higher education.

9 With President Obama's goal of
10 doubling the number of American College
11 graduates by 2020, significant time must be
12 spent determining the most effective method to
13 assist students in paying for school. To use
14 Spelman as an example, our number of
15 PELL-eligible students has risen ten percentage
16 points in the past five years. In the 2008/2009
17 academic term, PELL eligible students comprised
18 43 percent of Spelman student population. That
19 figure rose to 53 percent this past academic
20 year, with nearly 200 more Spelman students
21 considered PELL eligible in the 2012-2013 term.

22 Increases like this are happening at

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1 colleges and universities all over the country,
2 which is why the effect of changing aid programs
3 that affects so many need students, particularly
4 without seeking relevant information from
5 stakeholders is questionable policy.

6 In the fall 2012 semester, under the
7 criteria, 153 Spelman families received denials
8 of their Parent PLUS Loan applications. Of that
9 figure, only 29 families were successful in the
10 Department's appeals process. In other words,
11 124 Spelman families found themselves blocked
12 from the halls of learning by financial
13 impediment and we found ourselves scrambling to
14 do all we could to fill the aid gap for as many
15 affected students as possible. The effect of
16 the denial of a Parent PLUS Loan, which for many
17 students amounted to denial of access to higher
18 education reaches far beyond the campus gates,
19 particularly for the students that HBCUs were
20 created to serve.

21 A recent study by the Institute on
22 Assets and Social Policy at Brandeis University

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1 found that the wealth gap between black and white
2 families exploded in the 25-year period between
3 1984 and 2009. In 1984, the total wealth
4 disparity between white and African American
5 families was \$85,000. By 2009, that figure
6 nearly tripled to \$236,500. A key reason for
7 this disparity expansion is the effect of the
8 recent housing foreclosure crisis. According
9 to the IASP, home ownership accounts for 53
10 percent of wealth composition for black
11 families, compared to 39 percent for whites.
12 Between 2005 and 2009, the net worth of African
13 American households dropped by 53 percent, as a
14 result of lost home equity comprising such a
15 substantial portion of their wealth portfolios.
16 Such a dramatic loss in wealth severely limits
17 a family's options in leveraging resources to
18 use for other purposes, including financing a
19 child's college education.

20 As I have noted before, when families
21 in need of help are unable to find it, we all
22 suffer and national goals related to global

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1 competitiveness are significantly impeded. The
2 global and national trends clearly point to
3 changing demographics and the need to engage
4 Americans from every walk of life, particularly
5 women and people of color in postsecondary
6 educational pursuits. The October 2011 changes
7 to the Parent PLUS Loan program disregard these
8 trends by creating a new and unnecessary barrier
9 to higher education. These changes devastated
10 many families at Spelman and all over the
11 country. And I know that my institution
12 suffered because of this influx of denials and
13 I know that our nation suffered as well.

14 So we have some recommendations to
15 suggest. Corrective actions regarding the
16 Parent PLUS Loan Program are needed quickly, in
17 light of the approaching fall 2013 semester.
18 Spelman concurs with the recommendations of the
19 HBCU Coalition, the National Association for
20 Equal Opportunity in Higher Education known as
21 NAFEO, the Thurgood Marshall College Fund, and
22 UNCF, the United Negro College Fund. These

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1 national stakeholder organizations represent
2 the interests of the HBCU and predominantly
3 black institution communities and their
4 recommendations related to the Parent PLUS Loan
5 program are as follows.

6 First, the Department should review
7 all Parent PLUS Loan applications for the
8 current and upcoming academic year in existence
9 prior to October 2011, while new eligibility
10 criteria are considered and studied under the
11 2013 negotiated rulemaking process. Ideally,
12 the pre-October 2011 criteria should be used for
13 students who are in the pipeline at the time of
14 the shift and this would include students in the
15 class of 2017.

16 Second, the Department should
17 consider fair, flexible, and reasonable credit
18 criteria for Parent PLUS Loans under the 2013
19 negotiated rulemaking. These criteria should
20 not disproportionately penalize families who
21 have been impacted by the 2008 great recession
22 and the housing crisis. In addition, the

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1 Department should consider regulations that do
2 not solely rely on past credit history to
3 determine loan eligibility and should also take
4 into consideration other factors, such as
5 current credit status, income, and employment.

6 Third, in the absence of any data to
7 suggest that the previous application process
8 for Parent PLUS Loans was broken, there should
9 be no attempt to fix it. The basis for the
10 proposed fix, namely that there have been
11 substantial changes in the consumer credit
12 market since the promulgation of the initial
13 regulations of 1994, is dubious at best. The
14 changes in the market, including the lingering
15 effects of the great recession argue for making
16 it easier to be presumed credit worthy for those
17 parents who have demonstrated resilience,
18 rebounded from job losses, home mortgage
19 foreclosures, and other human or natural
20 disasters and now are on sure financial footing
21 and desirous of assisting their students in
22 completing college.

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1 In addition, applicants in the
2 Parent PLUS pipeline prior to the shift in
3 regulatory interpretation that 2013-2017 cohort
4 should have their loans evaluated using the
5 pre-2011 criteria.

6 Regulations should be promulgated
7 that are aligned with the intent of the program
8 to expand --

9 MS. MORAN: If you could wrap up.

10 DR. TATUM: I'm on my last one.
11 Thank you.

12 -- to expand access to higher
13 education and promote persistence, as well as
14 the national goal of the United States having the
15 highest proportion of college graduates in the
16 world by 2020. There is no need for a
17 legislative fix at this time. We certainly
18 think that the negotiated rulemaking process is
19 a step in the right direction and, again, we
20 thank you for coming here so that we might share
21 these points of view. Thank you.

22 MS. MORAN: Thank you, Dr. Tatum.

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1 (Pause.)

2 MS. MORAN: Okay, again we are a bit
3 ahead of schedule but I do understand that
4 Deborah Karvey is with us.

5 MS. KARVEY: Good morning. I'm
6 Deborah Karvey. I am public policy chair and
7 past co-president of Georgia AAUW. And on
8 behalf of the more than 165,000 non-partisan
9 members and supporters, we have over a thousand
10 branches and 800 college and university partners
11 of our American Association of University Women.

12 I would like to thank you for holding
13 this important hearing about upcoming
14 regulatory issues the Department of Education is
15 considering. AAUW will be submitting detailed
16 written comments as well but I appreciate the
17 opportunity to speak to you today.

18 I am here today to urge the
19 Department to again issue a strong gainful
20 employment regulation to protect students and
21 taxpayers. In addition, we urge the Department
22 to quickly negotiate and issue strong

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1 regulations regarding the changes to campus
2 safety and security reporting included in the
3 Violence Against Women Act. AAUW urges the
4 Department to quickly move to issuing rules
5 around the new campus safety provisions. This
6 new law amends the Clery Act and the Higher
7 Education Act and was included in the
8 reauthorization of the Violence Against Women
9 Act.

10 When campus environments are hostile
11 because of sexual harassment, assault, or
12 violence, students cannot learn and miss out on
13 true educational opportunities. AAUW's own
14 research revealed that two-thirds of college
15 students experience sexual harassment. In
16 addition, a 2007 campus sexual assault study by
17 the U.S. Department of Justice found that around
18 28 percent of women are targets of attempted or
19 completed sexual assault while they are college
20 students. Improving campus safety will improve
21 the climate for students and, in turn, improve
22 outcomes and completion.

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1 The new law will ensure that schools
2 make public the procedures following instances
3 of sexual assault on campus, report additional
4 crime statistics, and improve their
5 disciplinary process. The Department of
6 Education's rulemaking will need to address the
7 two definitions included in the statute, make
8 clear to schools how often certain ongoing
9 activities must take place, and who is covered
10 by the law.

11 The existing Clery Act framework
12 regarding reporting of crime data is strong in
13 this case, ensuring that all students are
14 covered. In addition, schools are already
15 familiar with reporting this type of
16 information.

17 In addition to reporting, schools
18 will also be making public policies and
19 procedures regarding instances of sexual
20 assault, dating violence, domestic violence,
21 and stalking. Key to these rules is the fact
22 that every school may need to institute policies

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1 and procedures that are unique to their
2 communities but must, at the same time, ensure
3 that students are safe and that the school is in
4 compliance with the law.

5 There are good examples of existing
6 policies, procedures, and trainings out there.
7 AAUW has developed a program for campus advocacy
8 around this issue, Students Active for Ending
9 Rape. It works for students and schools to
10 improve campus sexual assault policies and the
11 Department's own work around Title IX and the
12 resolution agreements that stand as best
13 practices for schools are all places to look for
14 guidance.

15 For example, recent Title IX
16 resolution agreements have established a
17 framework for ongoing prevention training that
18 could be incorporated in developing regulations
19 for the new Clery Act provisions.

20 Additionally, it is important that
21 organizations that represent students and
22 victims, as well as advocates and experts on

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1 sexual assault, dating violence, stalking,
2 bystander intervention, and Title IX be included
3 in the negotiated rulemaking process. These
4 groups may not traditionally be a part of
5 negotiated rulemaking on financial aid or other
6 issues being discussed today but are an
7 important part of the conversation around these
8 rules.

9 In addition to campus safety, AAUW
10 has also weighed in time and time again, about
11 the importance of strong rules to ensure that
12 career education programs that receive federal
13 funds to not take advantage of students and
14 taxpayers. AAUW supports this work because we
15 know that women more than men struggle to repay
16 their student debt. This is, in part, because
17 women earn less, on average, over the course of
18 their lives than their male counterparts.
19 AAUW's new research report graduating to a pay
20 gap the earnings of women and men one year after
21 college graduation found that the median student
22 loan debt burden was slightly higher in 2009 for

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1 women than men. Just over half of women, 53
2 percent, and 39 percent of men were paying a
3 greater percentage of their income towards
4 student loan debt than we estimate a typical
5 woman or man could afford. The persistent wage
6 gap contributes to this.

7 Here in Georgia, that gap is about 81
8 percent. This means that men in Georgia earned,
9 on average \$43,902 compared to women who earned
10 on average \$35,438 in 2011.

11 AAUW supported the Department of
12 Education's original gainful employment rule
13 and even urged the Department to consider making
14 it stronger. We felt it was a good first step
15 to achieve the goal of ensuring that schools
16 offering federal student aid did not burden
17 their students with unmanageable debt. This
18 rule used a combination of measuring debt to
19 income ratios, repayment rates, and default
20 rates to understand which programs are failing
21 their students and should be ended, which need
22 improvement, and which are serving students

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1 well.

2 As you know, the data collected in
3 the initial year of the rule found that 65
4 percent of career education programs failed at
5 least one of these tests and five percent failed
6 all three tests.

7 While the court recently struck down
8 the original gainful employment rule, the
9 decision made clear that the Department can
10 issue regulations of this sort. Indeed, the
11 concerns raised in the court case are easily
12 addressed. We urge the Department to consider
13 solutions and move this rule through the process
14 quickly. We cannot wait another school year to
15 protect students and taxpayers. It is
16 unacceptable that 65 percent of former students
17 from a higher education program receiving
18 financial aid are unable to pay down their loans
19 year after year. AAUW believes there is no
20 reason to weaken the gainful employment rule,
21 with 193 programs where students have borrowed
22 at high amounts relative to their income are

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1 having trouble repaying and very likely to be in
2 default. We must do something to ensure that
3 federal taxpayer dollars do not continue to flow
4 into these programs. Thank you for the
5 opportunity to testify.

6 MS. MORAN: Thank you, Ms. Karvey.

7 MS. MORAN: Is Nia Weston here? Nia
8 Weston.

9 Okay, we have Dr. Ernest McNealey
10 from Stillman, if he is available.

11 DR. McNEALEY: Good morning. I
12 would like to thank the Committee and the
13 Department for this opportunity to present. I
14 should tell you that I submitted a written
15 comment to your website and had not intended to
16 be before you today.

17 I am Earnest McNealey, the fifth
18 president of Stillman College and Chairman of
19 the Board of NAFEO. I urge the Department to
20 reverse its fix of the Parent PLUS Loan program
21 that, while imperfect, served legions of needy
22 students attending college and at historically

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1 black and predominantly black colleges in
2 particular.

3 As has widely been reported and
4 documented, the rule change has had a crippling
5 impact on many HBCUs, PBIs, and the students and
6 families attending these institutions. The
7 application of new rules was particularly
8 harmful to Stillman.

9 Stillman was founded in 1876 by
10 Presbyterians in Tuscaloosa and while its
11 relationships and mission has evolved over the
12 years, its commitment to providing an elite
13 quality education to students who cannot afford
14 one continues to this very day.

15 The students served by the college
16 are diverse, except with regards to need. Some
17 78 percent are fully Pell eligible and of course
18 that number was larger before the recent
19 legislation. Ninety-eight percent requires
20 some form of financial aid in order to attend.
21 Changes in federally based financial aid
22 resulted in an unanticipated loss of 2.5 million

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1 dollars from the 2012- 2013 fiscal budget and 2.7
2 million dollars in student receivables.

3 The Department's application of a
4 more rigid definition of adverse credit history
5 came at a most inopportune moment, warranting
6 comment beforehand, though we are pleased to be
7 allowed to offer comments now.

8 The shift to a more original
9 interpretation of credit worthiness occurred as
10 many families of students attending HBCUs were
11 finding the post-great recession economic
12 recovery to be allusive. Official African
13 American unemployment hovers at some 14 percent,
14 twice that of white Americans. According to the
15 Pell Institute, the wealth, as you heard earlier
16 of African American families declined and,
17 presently, the household worth of African
18 American families is somewhere in the
19 neighborhood of \$5,800 as compared to \$113,000
20 for white Americans. The bursting housing
21 bubble, the subprime lending, and the
22 disproportionate number of African Americans

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1 who lost their homes during that, is now the
2 credit history that is reviewed wreaked havoc on
3 HBCUs and PBI parents.

4 As these colleges and universities
5 were developing innovative ways to deal with
6 what was already happening in the economy, they
7 experienced the crippling PLUS Loan blow from
8 Washington.

9 NAFEO gathered information
10 regarding the impact on this diverse group of
11 institutions, some 120 institutions and
12 discovered that our institutions lost almost
13 28,000 students and over 50 million dollars.
14 This shot sent panic over the entire community
15 as the institutions reported enrollment losses
16 in the hundreds of students.

17 When our organization inquired as to
18 the reason for the shift in regulatory
19 interpretation, the Department said that the
20 change was to align its educational access and
21 success program with today's commercial loan
22 industry standards. There has never been a

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1 suggestion that the program had been abused, was
2 experiencing disproportionate high default
3 rates or losing funds. Indeed, it appeared as
4 though the program was working and, therefore,
5 was not in need of a fix.

6 What should be clearly evident is
7 that without a revision in the PLUS Loan rules,
8 the nation will not realize President's Obama's
9 goal of having 60 percent of Americans with a
10 two- or four-year degree by 2020.

11 The PLUS Loan calamity followed on
12 the heels of a series of harmful actions over the
13 past two years that can only be minimized if
14 taken in isolation. First, there was the 30
15 million dollar rescission in Title III funds
16 without congressional mandate. Then there was
17 the correction of the error in calculating base
18 grants in Title III that led to many institutions
19 losing over a quarter million dollars from their
20 Title III budgets. The summer Pell program was
21 eliminated. Family income to receive the
22 maximum award was reduced from \$32,000 to

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1 \$27,000. And the number of months students may
2 receive a Pell Grant award was reduced from 18
3 months to 12 months.

4 In sum, they all suggest that those
5 institutions that have been at the Van Guard of
6 the long forgotten war on poverty have now had
7 war declared on them.

8 HBCUs and PBIs are the economic
9 engines for their service areas and have a 13
10 billion dollar economic impact in their
11 communities. So the PLUS Loan is about more than
12 the institutions and more than the students, and
13 more than the families but communities where
14 these institutions operate.

15 So I guess the question is where do
16 we go from here? First and foremost, I would
17 suggest that these public hearings that are now
18 afoot have more than the opportunity for people
19 to voice concerns but that they will result in
20 meaningful rulemaking. Specifically, I
21 recommend that the Department reverse itself and
22 return to the regulations for PLUS loans that we

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1 had prior to 2011 and were fully applied in 2012.
2 And very importantly, that impact be weighed
3 along with intent as a rulemaking process
4 continues.

5 And finally, that members of the HBCU
6 and PBI community have a seat at the table as this
7 process continues. Thank you very much for the
8 opportunity to speak to you.

9 MS. MORAN: Thank you, Dr. McNealey.

10 Is Nia Weston in the room?

11 (Pause.)

12 MS. MORAN: Is Mr. Joe Steffen in the
13 room?

14 MR. STEFFEN: I am the Director of
15 Legal and Government Relations at Savannah State
16 University. I want to first bring greetings to
17 President Tatum and Spellman College for having
18 us here on behalf of our President, Dr. Cheryl
19 Dozier.

20 I want to give the first two minutes
21 of our address to Syreeta Monroe, she is a
22 financial aid officer at Savannah State

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1 University and she is going to provide some of
2 the statistics and then I will have some comments
3 afterwards.

4 MS. MONROE: Thank you, Mr. Steffen.
5 I am a financial aid counselor at Savannah State
6 University, which was founded in 1890 and has
7 about 90 percent as Albany State University
8 indicated for their institution of students that
9 we serve that are reliant upon federal aid.

10 We have processed in 2011 and 2012
11 about \$1,864 students totally. Of that, 60
12 percent of our numbers of parents who apply for
13 Parent PLUS Loans have been denied. And then in
14 2012-2013, which we are still processing that
15 the numbers are in the 2000 range, we are still
16 looking at a rise in the reduction of those that
17 are being approved for the Parent PLUS.

18 The reduction of these approvals for
19 a Parent PLUS Loan continues to rise as I
20 indicated, making it difficult for institutions
21 to assist students with that American dream of
22 moving from an application for enrollment to

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1 course registration, then matriculation for all
2 four years to eventually graduation. Due to the
3 adverse impact of the criteria for the Parent
4 PLUS Loan, many families are relying on federal
5 aid to have a place where their child can
6 complete their educational goal and that has now
7 been placed on hold.

8 It has been echoed throughout all the
9 representatives that stood before my time on
10 this podium that the best investment that any
11 individual can make is a college education. It
12 is a must to reassess the criteria for the Parent
13 PLUS loan to support the idea the American dream
14 is achievable for anyone, regardless of their
15 social economic status and their wealth at
16 birth.

17 It is my hope that the words that I
18 have indicated and those before from the many
19 institutions, not just HBCUs, that it resonates
20 with all of the panelists, as well as those to
21 carry the information back to the Department of
22 Education, that it is not a story of one

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1 institution, it is not a story of one individual
2 or one student or family, but it is a story of
3 many. So I do thank you for the opportunity to
4 have my thoughts shared as a financial aid
5 counselor that has to process and deal on the
6 front-end with the parents and students who are
7 looking to pursue their goal for a higher
8 education.

9 Mr. Joe Steffen.

10 MR. STEFFEN: Back in the 1860s, our
11 founding president, Richard Wright, walked
12 before the Civil War with his mother from
13 Cuthbert, Georgia here to Atlanta, and became a
14 student here in Atlanta, and was asked by one of
15 the Union generals what he could report back to
16 the folks back up north. And he said, to tell
17 them we are rising. And that has been our motto
18 at Savannah State University.

19 My concern is that what we are going
20 to be telling our young people with the current
21 adverse credit definition and the other
22 rollbacks on federal loans. It seems that we are

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1 telling them that you can only rise as far as your
2 family's current circumstances. And if your
3 family incurred debt to whether the great
4 recession, this debt will prevent you from
5 paying for your higher education and ever
6 advancing beyond your family's modest
7 circumstances. It is dooming young people to
8 failure, even before they have a chance to
9 achieve their dreams.

10 Instead of preventing more
11 testimony, I would submit two questions. The
12 first is that while there are so many HBCUs here,
13 and that question is easy to answer, we educate
14 first generation students and we are all hearing
15 the testimony today suffering in declining
16 enrollment.

17 The second question, though, is more
18 difficult. Clearly, this issue matters to the
19 HBCU community but why should it matter beyond
20 the HBC community? I would suggest, first of
21 all, that we are denying those most in need, as
22 Dr. Swinton documented a few moments ago. Debt

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1 hinders social mobility. And hindering social
2 mobility exacerbates income and equality. And
3 that matters to all of us because it decreases
4 our national productivity. And as Dr. Carlton
5 Brown testified from Clark Atlanta and he
6 rightly observed, that it decreases the
7 repayment of the existing federal loans.

8 Clearly, the pendulum of
9 intergenerational mobility has swung too far.
10 And I think Dr. Tatum documented some of that for
11 us as well this morning. Increased income
12 disparity and lack of social mobility, according
13 to a just released study by an economist at
14 Berkeley, Oxford, and the Paris School of
15 Economics admitted that this has detrimental
16 effects in the long run to all of us. The paper,
17 by the way, is entitled "The Top 1 Percent in
18 International Historical Perspective."

19 Our economy in the United States is
20 in a sweet spot only when we harness as much of
21 a productive resource as is possible. The
22 problem starts when one group is able to

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1 accumulate more and more overall wealth, not
2 because of current productivity but based on
3 historical success and conversely, as it relates
4 to what we are talking about today, when another
5 larger group is consigned to the side lines of
6 development, growth and productivity, we are
7 wasting our productive resources on a grand
8 scale. The economic vibrancy is being stifled
9 because access to higher education is the
10 keystone to the mobility essentially to our
11 economic success as a nation.

12 So to conclude, why does social
13 mobility matter as it relates to these loans?
14 First of all, I would suggest that it is the most
15 American of values. It was the impetus for our
16 revolution. It was the impetus for
17 reconstruction. We read about it in movies
18 coming out like Gatsby. It was the impetus for
19 our civil rights movement. And it was the
20 impetus for the election of our current
21 President. Social mobility is crucial to the
22 success of this country.

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1 But secondly, and importantly to
2 everyone else, the increased productivity which
3 results and benefits each and every one of us is
4 tied directly to our using all of our resources.
5 If we are consigning a group of individuals
6 because of the means of their parents and the
7 means of their families to the inability to
8 succeed, the inability to achieve a higher
9 education, then we as a country are failing in
10 productivity.

11 And so if the reasons given by the
12 statistics as to what is happening to our HBCUs,
13 what is happening to our students first
14 generation students aren't enough, I would urge
15 the panel and urge those taking information
16 today to understand or to consider that what we
17 are losing in productivity, what we are losing
18 in the economic vibrancy of our country is more
19 than enough reason to make a change.

20 MS. MORAN: Thank you. Unless Nia
21 Weston is in the auditorium and ready to speak,
22 we are thinking that we will break for lunch just

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1 a tad bit early. We were scheduled for lunch
2 from 12:00 to 1:00 so we can break a little early
3 and reconvene at 1:00 p.m.

4 Okay, thank you. That concludes our
5 morning session.

6 (Whereupon, at 11:49 a.m., a lunch
7 recess was taken.)

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1 proposed for consideration.

2 In the time that I have with you this
3 afternoon, I will limit my remarks to four
4 points. They include a summary of AACS's
5 position on three of the topics and issues the
6 Department requested public comment upon, as
7 well as a fourth providing comments related to
8 additional proposals offered by participants at
9 one or more of the three prior field hearings,
10 all of which AACS attended.

11 I will start with an issue AACS
12 supports, although not for the reasons stated by
13 the Department, clock to credit hour conversion.

14 AACS supports the inclusion of this
15 topic for consideration in the 2013 Negotiated
16 Rulemaking Committee, not because we believe
17 that new regulations are necessary but because
18 we believe modifications to the existing
19 regulations are warranted.

20 AACS urges the Department not to
21 develop new regulations in this area, but
22 instead to work with us to develop a solution

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1 that remedies the exiting problems and does not
2 place clock hour institutions in situations
3 where they must attempt to determine how to
4 comply with conflicting state or federal
5 guidance. In circumstances with such conflict
6 and overlap exists, AACCS urges the Department to
7 allow institutions where the state has a
8 separate policy to allow state policy to
9 prevail.

10 It is worth nothing that recent
11 changes have once again brought this issue
12 forward, but that it is likely that these issues
13 could have been adequately addressed in the
14 context of the 2009 negotiations, had AACCS
15 either been selected as a non-federal negotiator
16 by the secretary, or at the very least, been
17 approved by the seated negotiating team as an
18 issue specific negotiator.

19 AACCS attempted to petition the team,
20 based upon our unique concerns in this area at
21 the time but were denied by representatives from
22 other portions of the higher education community

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1 who asserted that they, too, had expertise in
2 this area and could adequately represent the
3 interest of clock hour institutions.

4 This time around with the focus
5 related directly to issues related to our
6 community, AACCS urges the Department to ensure
7 that a representative of the cosmetology school
8 community is selected to serve as a primary
9 non-federal negotiator.

10 Next, two areas where AACCS opposes
11 the Department's inclusion of topics and issues
12 for inclusion in the 2013 negotiations: state
13 authorization and gainful employment.

14 AACCS opposes the inclusion of this
15 topic for consideration, particularly state
16 authorization, for consideration of the 2013
17 Negotiated Rulemaking Committee's agenda
18 because we are concerned that any effort to
19 develop new regulations related to state
20 authorization for programs offered through
21 distance education, correspondence education
22 and/or foreign locations of institutions

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1 located in the U.S. will have major unintended
2 consequences resulting in further problems and
3 confusion with the implementation of the
4 underlying regulation.

5 In lieu of inclusion of the topic in
6 the 2013 negotiations, AACCS urges the Department
7 to use the authority provided to the Secretary
8 under the fund for improvement of postsecondary
9 education in the establishment of experimental
10 sites to develop and study proposed revisions to
11 the regulations related to distance education,
12 correspondence education, and foreign locations
13 of U.S. based institutions.

14 If the Secretary and the Department
15 choose to include this topic in the 2013
16 negotiations, AACCS hopes that the key department
17 staff responsible for the implementation of
18 these regulations would agree that a nominee
19 from our association would warrant serious
20 consideration and selection by the secretary in
21 recognition of our Association's early outreach
22 to the Department seeking a clear understanding

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1 of the Department's regulatory interpretation.
2 Our efforts to communicate this information to
3 the states and our ongoing efforts to ensure
4 state and institutional compliance working
5 closely with the Department.

6 Gainful employment. AACS opposed
7 the inclusion of this topic for consideration in
8 the 2013 Negotiated Rulemaking Committee's
9 agenda because the regulation has been subject
10 to both judicial review and congressional
11 actions which show that the topics and issues
12 should be further clarified and defined in
13 statute before any additional regulatory
14 consideration is perceived.

15 If the Department and the Secretary
16 choose not to honor AACS's request and that of
17 a bipartisan group of U.S. House Education and
18 the workforce committee and includes gainful
19 employment in a list of topics to be considered
20 in the 2013 negotiations, AACS must be appointed
21 by the Secretary as a primary non-federal
22 negotiator responsible for the development of

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1 any new regulations in this area.

2 AACS strongly suggests that our
3 association is deserving of the Secretary's
4 selection as a primary non-federal negotiator,
5 based on upon our association's development of
6 a database, comprehensive database comprised of
7 publicly available information, including the
8 FY'11 GE informational rates, cohort defaults,
9 90/10 ratios and institutional composite
10 scores.

11 In the previous negotiations on the
12 topics, no such database was available, leaving
13 both the Department and the non-federal
14 negotiators to speculate what impact the metrics
15 would have on various programs at institutions
16 subject to the regulations.

17 AACS now possesses a database which
18 is capable of providing real time assessment of
19 the current data on institutions eligibility
20 based on a number of performance measures. AACS
21 believes that our effort to develop a tool to
22 assist in the assessment this information will

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1 be invaluable in the course of the pending
2 discussions and hope that our inclusion of it as
3 part of our commitment to negotiating good faith
4 warrants our appointment to the negotiating
5 committee as a primary negotiator.

6 Proposed additions to the agenda.
7 And finally, in the limited time I have
8 remaining, I would like to request that the
9 Department pay particular attention to the
10 comprehensive comments contained in our written
11 statement, both supporting and opposing a number
12 of additional topics proposed in the testimony
13 of other witnesses at each of the four hearings.

14 In conclusion, AACS would like to
15 once again thank the Secretary and the
16 Department for providing our association and the
17 higher education community with the opportunity
18 to respond to the announced rulemaking and
19 tentative agenda.

20 AACS hopes that you will give proper
21 consideration to all of the views provided in our
22 comprehensive response, will incorporate our

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1 recommendations in the development of the
2 subsequent notice and continue to work with AACCS
3 in the higher education community on the
4 development and refinement of regulations.

5 Above all else, AACCS asks the
6 Department to, once again, commit to ensuring
7 that established regulations apply equally to
8 all institutions of higher education.

9 Thank you for your time and the
10 opportunity to present these recommendations
11 for your consideration.

12 MS. MORAN: Thank you, Mr. Jones.

13 Our next speaker, Dr. Jimmy Jenkins.

14 DR. JENKINS: Thank you very much
15 for this invitation to be able to add my voice
16 to the many voices that have already been heard
17 related to the Parent PLUS Loan Program. I don't
18 want to be redundant. I know that what I am
19 saying has probably already been said and I just,
20 for the record, want to make sure that you know
21 that it impacts Livingstone College in
22 Salisbury, North Carolina. As President, I am

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1 here today to first of all thank the U.S.
2 Department of Education for holding these
3 hearings so that you could hear what we have to
4 say. Thanks, Spelman College, for hosting this
5 forum as well.

6 I want to start by saying that
7 educational opportunity is tantamount to a kind
8 of reparation for African American students
9 because education is the surest vehicle for
10 upward mobility in the world for us. It is that
11 case that we are looking at. Education is the
12 surest vehicle for us and so you need to
13 understand that it is important for us to make
14 sure that that kind of opportunity continues to
15 exist for our students. At Livingstone College,
16 as an example, 71 percent of our students are
17 first generation college students. So these are
18 the young people who are attempting to break the
19 vicious cycle of poverty in their families by
20 being a part of the educational system and moving
21 forward. 51 percent of our students are male
22 students, African American males, which is

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1 really defying the odds when you look at what is
2 happening there. So Livingstone College is
3 defying the odds in so many ways of providing
4 opportunities for our students.

5 The change in the rules that impacted
6 us this past fall was something in terms of our
7 budget. Our budget was already set. And so
8 once we were able to see what happened, we
9 recognize that we only awarded a 92 Parent Plus
10 Loans wherein the past, over the past five years
11 or so, we had been awarding something in the
12 neighborhood of 300 -- 250 to 300 Parent PLUS
13 Loan Program. So this year our budget was short
14 by about two million dollars. And that two
15 million dollars was after the budget had been
16 approved in moving forward and so we had to go
17 into a retrenchment mode trying to figure out
18 ways to cut and be able to maintain the ongoing
19 operation in a way that would not be detrimental
20 in a severe way to the campus.

21 Recapturing those students who were
22 rejected will be difficult and may not be

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1 possible at all because we are talking about a
2 large proportion of students who are first
3 generation. And once they were denied and left
4 our campus, the likelihood of going back to
5 retrieve them is going to be difficult, if not
6 impossible to do. What we hope for is that HBCUs
7 should be represented as you negotiate the final
8 development of the new regulations so that we can
9 share with you the kinds of stories that I am
10 sharing with you now, with regard to Livingstone
11 College, and I know some of the other
12 institutions have done the very same thing. We
13 are looking forward to that kind of work. As I
14 said before, the budget was set. We have already
15 lost that amount of money. It is going to be
16 difficult for us. We have gone into a
17 retrenchment mode in working with them. We need
18 to be able to get back -- we would recommend that
19 you go back to the old regulation, use that
20 regulation while you are developing it. And as
21 we look at the students who are coming in the fall
22 of 2013 that somehow we would not be confronted

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1 with the same kind of challenge that we were
2 confronted with in 2012.

3 And so my plea to you today is so that
4 I will not reproduce or be redundant with what
5 all my other colleagues are seeing. I just won't
6 go into all of that. I just want you to know that
7 it had a very negative impact on our institution.
8 But more than that, we are not just talking about
9 a budgetary thing, we are talking about people,
10 71 percent of them who are going to college to
11 break the vicious cycle and now we have had to
12 deny many of them the opportunity to do so. And
13 we think that that is important in terms of
14 helping them to be able to move away and be able
15 to get the proper training and education that
16 they need so that they can command their rightful
17 place in the global society.

18 And so we would ask that you would
19 think of that. We thank the Department for
20 holding these hearings because we believe that
21 that is a sincere effort on your part to try to
22 get it right and we want to help you to get it

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1 right. So we want you to know that that is the
2 impact that it is having on our institution and
3 talk over with my colleagues, I understand that
4 is the impact that is happening all across the
5 HBCU landscape.

6 Thank you so very much.

7 MS. MORAN: Thank you, Dr. Jenkins.

8 Kenneth Allen, is he in the room?

9 MR. ALLEN: Good afternoon. I
10 would like to thank the Committee for giving me
11 the opportunity to speak in front of you.

12 I am Kenneth Allen, a junior at
13 Bethune-Cookman University and I am here to
14 speak on how I felt knowing that all the hard work
15 I had put in at the time will go to waste that
16 I didn't have enough money to continue paying for
17 my college education.

18 By gaining support from federal
19 student aid, other private student loans, and my
20 mother doing as much as she can to pay for my
21 tuition payments, I will see finding myself in
22 the financial aid office looking for other ways

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1 to pay for school. There, we were directed in
2 the direction of the Parent PLUS Loan to help pay
3 for tuition and school related expenses at
4 Bethune-Cookman.

5 Unfortunatley, due to my mother's
6 poor credit, she was denied of the loan. On the
7 brighter side, because she was denied,
8 Bethune-Cookman awarded me \$4,000 to pay for my
9 school. In addition to the money I was awarded,
10 BCU also awarded me a work-study job which
11 allowed me to earn extra money by working on
12 campus in the mail room.

13 I understand the Federal PLUS Loan is
14 a loan borrowed by a parent on behalf of their
15 student to help pay for tuition and school
16 related expenses at an eligible college or
17 university. The benefits of the PLUS Loan is
18 that the parent can borrow a federally
19 guaranteed low interest loan to help pay for
20 their child's education. However, other
21 options are in place for when the parent is
22 denied. The student is awarded a lump-sum of

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1 money from the school.

2 By giving me the opportunity to speak
3 on behalf of these minor setbacks, I hope you
4 gain the knowledge of my situation and know that
5 if it wasn't for the Parent PLUS Loan, I would
6 not have the opportunity to complete my first two
7 years at college at the great Bethune-Cookman
8 University.

9 I will continue to lead myself in the
10 right path to success and know that I came to a
11 university to enter to learn and depart to serve.

12 Thank you.

13 MS. MORAN: Thank you.

14 (Pause.)

15 MS. JOHNSON: Greetings and
16 salutations, Department of Education. My name
17 is Angel Johnson and I am a junior at the great
18 Bethune-Cookman University majoring in English.

19 During my tenure at Bethune-Cookman
20 University being able to afford school hasn't
21 been an easy task for myself and my mother, who
22 is my primary financial source. Because of the

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1 hardship of paying for school, my mother had to
2 seek other sources such as the Parent PLUS Loan,
3 which she wasn't approved for. Although I
4 received finances through the school for this
5 past semester, my mother was still short over
6 \$4,000. So, she decided to enroll in the tuition
7 management system, which added an additional
8 \$1,000 each month to her financial expenses,
9 which she wasn't able to pay.

10 But, determined to keep me in school
11 because I would be her first child of six to get
12 this far in college, she -- excuse me. Each
13 month's payment was a struggle simply because,
14 like I said, it was over \$1,000 a month added to
15 her expenses, and that I am one of six children
16 and also a grandchild that she helps to support,
17 but my mother did the best that she could and paid
18 what she could each month.

19 As far as my education, I plan to
20 continue to use the Parent PLUS Loan for these
21 funds and that my financial aid does not cover.
22 I thank you for allowing me a moment of your time

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1 and expenses -- sorry -- a moment of your time
2 to express how the parent plus loan has affected
3 my life, as well as my family.

4 Thank you.

5 MS. MORAN: Thank you. Is Johnny
6 Nimes in the room?

7 MR. NIMES: Good afternoon to all.
8 To the Department, I want to thank you all for
9 having the opportunity to go on record to make
10 a few comments for Fort Valley State University.
11 My name is Johnny Nimes and I serve as the
12 Executive Director for Enrollment Management at
13 the Fort Valley State University.

14 Fort Valley State University is one
15 of three Historically Black Colleges and
16 Universities located here Georgia and one of two
17 land grant institutions. Although we are
18 historically black in nature, we are not all
19 black. We educate students from all
20 persuasions. Fort Valley State University has
21 served the citizens of rural middle Georgia for
22 over a 100 years, producing individuals that

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1 have gone on to become doctors, dentists,
2 business owners, politicians, professional
3 athletes, educators, engineers, veterinarian
4 technicians, and the list goes on. It has been
5 a beacon of light for families of all different
6 colors who are very proud, hardworking citizens,
7 who do not want a handout but need a hand up.

8 At a time when America is faced with
9 the threat of not having enough college grads to
10 fill the projected job market of an approaching
11 new decade, current credit review practices
12 within the Parent PLUS Loan Program are proven
13 to be counterproductive to President Obama's
14 Complete College America Initiative.

15 FVSU, like most of the schools that
16 have testified here today, we have experienced
17 some negative results of the changes that were
18 made recently as it relates to the underwriting
19 policies of the Parent PLUS Loan. When we look
20 back at the 2010-2011 year, we had a total of
21 1,339 PLUS Loan borrowers and of that number we
22 had 570 who were approved for Parent PLUS Loans

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1 for a percentage of 42.6 percent.

2 The following year, we had 1,719 PLUS
3 borrowers, with 628 being approved for an
4 approval percentage of 36.5 percent. This past
5 fall, we have 1,533 borrowers. We only had 245
6 PLUS borrowers approved for an approval rating
7 of 15.9 percent.

8 My recommendation is that the
9 Department review its current underwriting
10 policies and the treatment of delinquencies over
11 the five-year period. And also, I would like to
12 add that the Department consider development of
13 more flexible repayment options in the Parent
14 PLUS Loan Program, similar to what exists in the
15 Direct Loan Sub and Unsub program; and more
16 specifically, looking at the income contingent
17 provisions.

18 My concern is that education has been
19 a conduit into middle-income America and it has
20 permitted hundreds of thousands of students to
21 improve their quality of life and America has
22 been a factor in this process.

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1 Students will continue to seek
2 better ways of life and they will borrow the
3 additional unsub loans when their parents can't
4 get the PLUS Loan Programs. That is the reality.
5 But what scares me is that we are creating a
6 future generation of debtors who will not be able
7 to buy homes, give to our institutions in terms
8 of alumni support, support our churches and
9 other non-profit organizations, raise families,
10 and pay taxes. I am afraid that we will see a
11 different America where the American dream
12 becomes a nightmare at worst.

13 I want to thank you for the
14 opportunity to address you this afternoon. God
15 bless you. And I hope that we see some changes.

16 MS. MORAN: Thank you, Mr. Nimes.

17 Is Mildred Singleton in the room?

18 MS. SINGLETON: Good afternoon. I
19 am so thankful that you are here. I have
20 been -- I am a parent who did receive the Parent
21 PLUS Loan for my student, who graduated in 2011
22 from Morehouse College. And I really, like I was

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1 just talking to the President of Spelman because
2 I am a Spelman alumnus also, that I didn't
3 realize that we just made it through by the skin
4 of our teeth when this started happening at his
5 graduation year.

6 But I happened to see my email from
7 my Spelman connection last night and I wanted to
8 see what was going on because I have been in
9 contact with AES and NET concerning the
10 repayment plan. And when I am speaking to the
11 American Education System about the repayment
12 plan, one of the things that I am asking as the
13 man just said before me, is that we may have -- we
14 qualified and the parent payment plan is
15 immediately we start paying it back.

16 Well since the graduation of my
17 student, I have retired and then my husband has
18 retired and also my husband has had heart
19 surgery. But my student, who had graduated cum
20 laude and was always on the honor roll and doing
21 his very best has now moved on. He is in
22 Washington, D.C. but at the same time, he does

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1 have the Stafford Loan and in the process, we are
2 trying to repay this and want to repay it, always
3 wanted to repay it and are doing that. But they
4 are phenomenal as far as for the four years of
5 repaying the loan like \$1,000 per month for four
6 years, so that is \$4,000 a month in your
7 repayment plan. I don't know if everybody knows
8 that. So along with your other finances that you
9 have, your home mortgage and everything that you
10 have to do in life.

11 I was thinking, because I had asked
12 someone at AES okay is there a way that you can
13 maybe lessen the payments or make them less or
14 more affordable or more flexible after the
15 child, your student, does graduate, have more in
16 consideration for the fact that the parents have
17 gotten older and they may have retired or
18 something like that.

19 So that is why I wanted to come in.
20 When I heard the Presidents speaking this
21 morning from the schools and financial aid
22 representatives speaking, I didn't know that the

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1 problem has even gotten bigger and beyond what
2 I was just considering for myself. But I did ask
3 those representatives will there be ways that it
4 can be more flexible or more understandable to
5 the people who are paying them back because we
6 want to. We are proud people and we want to pay
7 them back. And it is like this is a black
8 student who, fortunately, from a line of Spelman
9 graduates and Morehouse graduates, my brother
10 was a Morehouse graduate, but this is what we
11 want. We want our students, our children, to
12 attend our schools also but they have become very
13 expensive due to this situation.

14 And we were, during this time that he
15 was attending, thinking we were getting angry
16 with the school for going up so much on tuition.
17 And it got to the point it was your room and board
18 and everything and your tuition about \$40,000 a
19 year.

20 And so that is my request. We
21 recognize that yes, we want to repay this
22 wonderful advantage that you gave to us but we

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1 also want to be considered as your everyday
2 people who have other things -- we want to do this
3 and we hope that you could hear us as parents and
4 maybe be a little more flexible and help us out,
5 too.

6 I know when I talked to AES, she said
7 well you know they are going to be meeting, the
8 representatives will be meeting. They change
9 the rules every so often so just call back and
10 we will see how flexible this can become.

11 So I hope it is not sounding pompous
12 or anything. I just wanted you to know this is
13 from a parent.

14 Okay, thank you very much.

15 MS. MORAN: Thank you.

16 Okay, is there anyone else in the
17 audience that would like to speak?

18 MR. NETTING: Sure, Pam.

19 Well good afternoon everybody.
20 Thank you for providing the opportunity, the
21 Department, for all of us in the community to
22 come and share our views with you as you have

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1 worked across the country.

2 My name is Tom Netting and I am the
3 Executive Director of the Allied Health Leaders
4 Coalition. It is an organization of for-profit
5 institutions that focus specifically on how the
6 legislation impacts those institutions that
7 offer Allied Health Programs.

8 I have attended all of the hearings,
9 both the 2012 hearings, as well as all four of
10 the 2013 hearings. And what I would like to do
11 in my brief ten minutes with you today is share
12 my views and share the views of the HEAL
13 Coalition on the proposed issues, and also talk
14 briefly about a number of the issues that have
15 been proposed by various other witnesses over
16 the course of the last four hearings.

17 With regard to the issues that are
18 provided on the topics for proposed inclusion by
19 the Department, the HEAL Coalition supports a
20 number of the proposed agenda items. We share
21 the belief that cash management and the ability
22 to address fraud and abuse and provide new

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1 innovations with regard to EFT and other changes
2 are warranted and should be included.

3 We do, however, request that you pay
4 attention to and provide for the continued use
5 of paper related systems providing student
6 financial aid and not focus solely on a full
7 transition to all electronic means. There are
8 a number of institutions, for a myriad of reasons
9 both administration as well as financial, that
10 still value the ability to do their processing
11 of financial aid with the inclusion of paper
12 processes.

13 We support as well the campus
14 security changes. Obviously, those are
15 recently enacted changes to the Higher Education
16 Act. We look forward to working with the
17 Department on those issues.

18 We do ask, as for-profit
19 institutions, many of whom do not have campuses
20 that include dormitories and large expansive
21 campuses like Spelman, where we are today, that
22 in the development of the regulations you

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1 consider and recognize that when you look at the
2 definitions of both campus or close or near
3 campus that you recognize that for some
4 institutions, that is a very, very limited scope
5 of areas where we hope we have to report upon.

6 With regard to adverse credit
7 history, will simply say that we share the
8 concerns of the changes the Department made with
9 regard to Parent PLUS Loans that have been well
10 documented and well-illustrated with regard to
11 their impact on students throughout the course
12 of this hearing, as well as in particular the
13 Washington, D.C. hearing.

14 We hope that the Department will look
15 to address those on behalf of minority students
16 and all students.

17 Having focused on some of the
18 positives, now a couple of areas where we have
19 concerns or at least are respectfully requesting
20 some changes in direction in which the
21 Department is going.

22 With regard to clock hour to credit

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1 hour conversion, we don't believe that it is
2 necessary to go through negotiated rulemaking.
3 We would submit that there discussions that
4 should take place but we believe that those could
5 be done through informal discussions directly
6 with the Department and clock hour institutions.
7 Similar to institutions that were previously
8 discussed within the cosmetology realm, there
9 are a number of Allied Health Programs that
10 specifically have and are required to track
11 programs in clock hours. We do not believe and
12 do not suggest that the Department needs to
13 develop new regulations, but work with the small
14 limited community of institutions that provide
15 programs still measured in clock hour to come up
16 with remedies and solutions to the issues
17 proposed.

18 We share the views of the community
19 colleges as well as the cosmetology schools that
20 in these instances, especially in light of the
21 changes and the influence of the Section 600.9
22 regulations on state authorization, that these

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1 institutions be allowed to use the definitions
2 and the guidance provided at the state level.

3 With regard to state authorization,
4 as well as gainful employment, in both of these
5 issues, the HEAL Coalition asks that you respect
6 the wishes of Congress and the April 18th letter
7 that was provided to the Secretary, asking that
8 the Department not seek to regulate in these two
9 areas at this time.

10 We suggest and assert that the
11 Department should delay consideration of these,
12 until such time as the Department and Congress
13 have had an opportunity to look these over in the
14 context of the next reauthorization. We
15 recognize that that may not be the decision the
16 Department chooses to make. If it is, we offer
17 the following recommendations with regard to
18 each of the two issues.

19 With regard to state authorization,
20 we urge the Department to be very careful in how
21 they proceed here. The Department itself has
22 been working very closely with states of late on

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1 trying to get the states to understand the
2 interpretation and the expectations of the
3 Department under Section 600.9. Not without
4 considerable confusion on which states and which
5 entities within those states are in fact in
6 compliance and those that are not. We are highly
7 concerned that in your attempt and in your
8 opportunity to attempt to try and develop new
9 regulations around online education and foreign
10 institutions, that you may upset the apple cart
11 and the very precarious balance that exists
12 right now in the understanding of the states and
13 the various entities.

14 We are more concerned that this might
15 lead to the ability or the lack of ability for
16 the approvals already granted to state entities
17 to be maintained if changes in the regulations
18 moving forward have a ripple effect back to the
19 underlying statute. This will lend further
20 complications to those institutions and those
21 states that are currently working with the
22 Department during the current one-year

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1 extension between now and July 1 of 2014 to also
2 make additional changes or modifications and not
3 be able to really understand or pursue exactly
4 what direction or what plan they should be
5 pursuing and enforcing.

6 We suggest that there is a path
7 forward, however, for the Department.
8 Experimental sites offers the opportunity for
9 the Department of Education to waive portions of
10 regulations in an attempt to review new and
11 innovative means of delivery of student
12 financial aid, while at the same time looking at
13 what protections are needed and necessary. We
14 assert that the utilization of this process
15 could be one that provides a benefit to one and
16 all, that benefit being the opportunity for the
17 Department to review and evaluate how state
18 authorization and the proposals of the SARA and
19 others could be looked at or implemented and also
20 provide the opportunity for those experimental
21 sites opportunities to then lend itself to the
22 development of regulations in the future and/or

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1 recommendations in the next reauthorization of
2 the higher education act.

3 With regard to gainful employment,
4 our concern is while it certainly is the case
5 that the courts ruled that the Secretary has the
6 authority to regulate in this area, the courts
7 equally ruled that in doing so, they must not
8 develop any new forms of databases or new forms
9 of information. We note that several of the
10 reporting requirements include whole new
11 systems and whole new sets of data information
12 and are perplexed how if the Department chooses
13 to move forward in this area, they are going to
14 be able to reconcile the collection of that data
15 and that new information and move forward with
16 the development of a new gainful employment,
17 metric, especially in the areas of debt to
18 earnings when no previous data collection in
19 that area existed.

20 Specifically, however, if you are
21 going to continue to move forward, we encourage
22 the Department to release additional

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1 information under the FY11 institutional data.
2 All of the information that was provided
3 included a number of institutions and specific
4 programs where the data was inconclusive or
5 incomplete for both Allied Health Institutions,
6 as well as cosmetology schools, as well as
7 community college programs. In many instances,
8 that came up to 70 to 80 percent of the programs,
9 where one or more of the categories were n/a.

10 It is our understanding that the
11 Department only used two years' worth of
12 information to generate the FY11 data, when they
13 had the ability and the regulations stipulate
14 that if there is not enough information over a
15 two year period, that the Department should
16 expand that review to a four year window. We
17 believe that sharing that information would give
18 a number of institutions who have no way of
19 knowing the implications for gainful employment
20 under the current programs would be able to have
21 a more robust understanding of the impact that
22 the regulations may or may not have upon their

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1 programs.

2 Further with regard to the
3 disclosures, we ask that the Department release
4 the long awaited but never published template.
5 That includes information that would be
6 important to the institutions that heretofore
7 they do not have. That information includes
8 what the Department's anticipated definition of
9 on time repayment rate would be -- excuse me on
10 time graduation would be. It also would include
11 discussions around the notion of job placement.

12 We are frustrated and concerned that
13 while others continue to promote the need for
14 additional definitions of job placement, the
15 Department well knows that you called the entire
16 higher education community together to try and
17 develop that definition with the National Center
18 for Education Statistics and for institutions
19 other than the for-profit sector; no definition
20 was forthcoming.

21 Finally with regard to the debt to
22 earnings metric -- in conclusion, I wanted to

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1 talk about two additional areas of concern. We
2 ask that the CDRs, cohort default rates, not be
3 included in this round of negotiation. We
4 believe that they are assertions of manipulation
5 of the data falls more with the decisions and
6 determinations made by the servicers, in this
7 case now, the Federal Direct Student Loan
8 Program and the Department of Education. Under
9 90/10, we also oppose the inclusion of this
10 issue. We stand with the Department who, on
11 more than one occasion, has sent letters to
12 congress saying the 90/10 rule should no longer
13 be included in the HEA.

14 One final note. We do request that
15 students who have asked for a larger
16 participation at the negotiating table, have
17 that opportunity and we ask that included in
18 those groups are students representing
19 for-profit institutions.

20 Thank you.

21 MS. MORAN: Thank you.

22 Just back to see if Mr. Johnny Taylor

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1 is in the audience. No. Yes, I believe we are
2 going to take a break until 2:00 while we await
3 some later speakers.

4 (Whereupon, the foregoing hearing
5 went off the record at 1:45 p.m. and went back
6 on the record at 2:11 p.m.)

7 MS. MORAN: Good afternoon
8 everyone. We are going to reconvene just a
9 portion of the afternoon session. We may be
10 taking a break here in a little bit. We will let
11 one of our panelists come to the table.

12 Our next scheduled speaker is Darryl
13 Jackson. Is Mr. Jackson here?

14 MR. D. JACKSON: Good afternoon,
15 first of all. I didn't anticipate such a big
16 audience, so I will try to quell my nerves here
17 as I present some information.

18 I wanted to come at my president's
19 urging. I am from Alabama A&M University. I am
20 the Student Financial Aid Director and my
21 President, Dr. Andrew Hugine, he and I have had
22 various conversations about the effects of the

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1 Federal Direct PLUS Loan program and some of the
2 changes that we have felt based on the new
3 procedures that have taken place with the PLUS
4 Loans.

5 Just to give a couple of statistics,
6 at Alabama A&M University, from the school year
7 2011-12 to 2012-13, we saw an increase in the
8 denials of our PLUS Loans by 454 students and we
9 attribute that directly to the new regulations
10 that govern how PLUS Loans are approved. And
11 the non-availability of this PLUS Loan has left
12 a sizeable affordability gap for our parents
13 that are dependent on the PLUS Loan to meet the
14 cost of attendance for their students. This has
15 been particularly felt most by our out of state
16 students because we have an -- in Alabama we have
17 a tuition scale that mandates that the tuition
18 for an out of state student is double that of an
19 in state student. So this PLUS Loan
20 restructuring along with the continuing
21 reductions in our state appropriations has left
22 us with very minimal resources to provide help

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1 to these parents and students.

2 And I am sure you guys have heard
3 figures and percentages all day but the bottom
4 line is that we forecasted or we looked at a
5 couple of figures and we estimated that this had
6 a negative financial impact of approximately 1.9
7 million dollars at our school. And of course,
8 in today's society we are having struggles with
9 the economy being the way it is and we are going
10 through employee furloughs and we have had to
11 implement or we have had to curtail such projects
12 as dormitory classroom improvements and
13 advances to the physical infrastructure of the
14 university.

15 For this current school year we just
16 completed, 2012-13, we had a total of 1,454 PLUS
17 Loans that were denied. And as I mentioned,
18 this was up about 454 from the previous year,
19 which was right at about 1,000 denials. And to
20 further delve into that number, we had 377
21 students that did not enroll for the subsequent
22 year, this current year, based on the fact that

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1 the Parent PLUS Loan was not approved. And of
2 these 377 students, 289 were in good academic
3 standing. So they had no other reason to not
4 enroll, other than not having adequate funding.

5 And to further delve down a little
6 deeper, 32 of these students were within two
7 semesters of graduation. So, we had an outreach
8 program where tried to reach out to these
9 students to make sure, especially the ones that
10 were close to graduation, we delved into some
11 endowment dollars and things like that, but
12 there was still a precipitous effect felt from
13 those people that were denied the PLUS Loan this
14 year that were approved for it in previous years.

15 Of course other factors that
16 contributed to our loss in student numbers was
17 the Pell lifetime eligibility use rule and the
18 new satisfactory academic progress mandates
19 also had a small part in our students' enrollment
20 decrease.

21 So the bottom line is that we, my
22 president and my provost at my school, we are

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1 kind of aligning ourselves with the NAFEO mode
2 of thinking and we are asking that the department
3 will consider fair, flexible, and reasonable
4 credit criteria for Parent PLUS Loans under the
5 2013 Negotiated Rulemaking Sessions.

6 We also fully support NAFEO's stance
7 that the Department clearly define the
8 extenuating circumstances provision of the
9 regulations to account for major and sustained
10 economic recessions that cause persons with
11 otherwise good credit histories to experience
12 anomalies associated with such economic
13 indicators.

14 And lastly, we do echo NAFEO's
15 assertion that the Department should consider
16 regulations that do not rely solely on past
17 credit history to determine loan eligibility but
18 should take into consideration other factors,
19 such as current credit status, income, and
20 employment.

21 So in summation, it is the opinion
22 of Alabama A&M University that a reconsideration

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1 of the PLUS Loan approval structure back to the
2 pre-October 2011 standards would be highly
3 beneficial to HBCUs such as ours, particularly
4 at Alabama A&M University, it would allow us to
5 continue to provide a quality education for our
6 most needy and deserving students.

7 Thank you.

8 MS. MORAN: Thank you, Mr. Jackson.

9 Is there anyone else in the audience
10 that would like to make a statement? I think our
11 next registered speaker is not scheduled until
12 3:00 p.m. So if there is no one else in the
13 audience that would like to make an additional
14 statement or new statement, we will take another
15 break, while we await our next scheduled speaker
16 or should we have some walk-ins that would like
17 to speak.

18 Thank you.

19 (Whereupon, the foregoing hearing
20 went off the record at 2:18 p.m. and went back
21 on the record at 2:59 p.m.)

22 MS. MORAN: We're going to

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1 reconvene for our next scheduled speaker. So if
2 we could take our seats, please.

3 Okay, our next scheduled speaker is
4 Annette Jackson.

5 MS. A. JACKSON: You're ready?
6 Wow. Well fellow Department of Education
7 staff, it is such a pleasure to be with you today.
8 I am going to tell you this is kind of -- I am
9 walking by faith. I received the notice from
10 Spelman College, my alma mater probably
11 yesterday and I went to rush to do that. Thank
12 God, I run a non-profit organization which I have
13 the flexibility to do so.

14 In your topic today on financial aid
15 and the need to figure out what we can do with
16 Historically Black Colleges, I will tell you a
17 little bit about my history. I come from West
18 LA, California. And fortunately, my dad owned
19 a real estate brokerage and he paid for all of
20 my education. And you wonder why am I here?
21 Because I care about the masses who are being
22 grappled and gripped by financial aid and they

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1 can't -- and their financial aid is defaulting
2 and they can't even pay for it. Thereby, they
3 can't even own a home because you have to either
4 defer that payment or you don't get a home until
5 you figure out that payment.

6 What I will say is an improvement and
7 an innovative and creative way to deal with this
8 issue regarding financial aid and whether an
9 institution's programming is equitable to
10 qualify for students to have financial aid is
11 that every single person who has went to an
12 Historically Black College should develop a two
13 million plan. And what that two million dollar
14 plan is there ought to be 30 people within their
15 institution that can raise two million dollars.
16 If 30 people within the institution of alumni
17 would raise 60 million dollars, that would help
18 with the financial aid crisis, the economics, as
19 well as those who have financial aid and can't
20 get any more financial aid, they will be able to
21 come back. So, 60 million is the two million
22 dollar plan.

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1 What I also realize is that in this
2 institution, I helped write, along with an
3 athletic director, Dr. Dorothy Richey, the
4 proposal for Spelman to get into the NCAA. Now
5 Spelman is thinking about and actually has taken
6 away sports. Sports is a big revenue generating
7 enterprise and I am so sad that that is leaving
8 Spellman college, but as an alumni who was a
9 college co-chair in golf and tennis, I am going
10 to do everything I can to bring sports back. And
11 while we are talking about building a wellness
12 revolution on the campus of Spelman College,
13 wellness is sports. The debate team is sports.
14 Robotics is sports. So those are all areas
15 which you can build revenue. Even business
16 enterprising shark tanks. I think all the women
17 of Spelman College, all the design of businesses
18 that they can go into, get with a financial
19 planner. And that can also create the wealth of
20 this particular financial aid crisis.

21 Because you have to remember, for
22 those who get accepted to Spelman, they are

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1 bright and brilliant. It doesn't matter if they
2 come from a low-income area. Low-income area
3 does not denote success.

4 I have a good friend, Barbara
5 Jones-Slater who grew up in the projects in
6 Chicago, where Arne Duncan is from and who has
7 created all those charter schools, she is still
8 in the Guinness Book of World Records at the age
9 of 15 to run the 100-yard dash with Tennessee
10 State, and Wilma Rudolph was her counterpart.
11 She was the youngest on the team. She still
12 holds that record and she did it at 15. So
13 imagine the things or the exploits that we can
14 do when the kids go to college at 16, 17, 18.
15 Don't wait just to go through academics to get
16 your degree and move on to a great job. We
17 should be developing business enterprises with
18 financial aid.

19 Even though my dad paid for my
20 education, I had a co-op. And so I believe we
21 should merge financial aid with co-ops and
22 develop a blueprint for success for anybody who

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1 has financial aid. I am going to say that again.
2 We should develop a blueprint for success within
3 financial aid when that particular person who
4 has financial aid, they have to have a business
5 plan for success. They have to have a co-op
6 program in which a corporation has designated
7 them as their mentee to guide them into raising
8 the money so that they won't be crippled with
9 financial aid.

10 HBCUs are greatly, significantly
11 affected because -- the Department of Education
12 would not be at Spelman college today.

13 My suggestion as an alumna who
14 doesn't have any student debt is I would really
15 ask the Department of Education to come back to
16 Spelman College when the students are here who
17 are on financial aid. I believe that you would
18 have another list of issues from financial aid
19 recipients, which would be key in developing
20 your policymaking or should I say your
21 rulemaking for Historically Black Colleges.

22 Also, let's look at the workplace

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1 environment. I just realized that the Higher
2 Education Act of 1965 and this is of no offense,
3 it might be outdated. Because when
4 Historically Black Colleges were instituted, it
5 was because they were instituted before 1964 and
6 they really targeted African Americans
7 post-slavery. So we have come into a totally
8 different time of globalization.

9 And now I am going to go back to
10 sports and phased out education. Here at
11 Spelman, due to austerity cuts, what Spelman
12 College did and Dr. Tatum did, she said we have
13 got to find a way to cut programming. So they
14 cut the education component. Here you are, the
15 Department of Education in an institution that
16 was created in 1881 and we have cut our education
17 program. Now the new buzz word is what is
18 considered shared governance. So what Spelman
19 College did with their shared governance is
20 anyone who wanted an education degree would
21 merge with Clark Atlanta. Well, Clark Atlanta,
22 as far as a HBCU, they are suffering, too.

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1 But the thing is, education -- I was
2 an English major and I spent the majority of my
3 life in education. I run a music education
4 foundation now for an electric violinist who
5 goes all over the country and the world. And I
6 am like wow, how did my English degree pay off?
7 It paid off because I was able to read, write,
8 and comprehend. I was able to see through
9 documents. I was able to be a community
10 advocate where I could let my voice be known as
11 to the inequities of some our outdated systems.
12 So we have an outdated system right now.

13 And you talked about the reason that
14 you are here is because you want to improve the
15 integrity. I want to know how that you want to
16 improve the integrity and I have some
17 suggestions on how you improve the integrity.
18 Corporations make millions of dollars based on
19 profit. So we have to find out if corporations
20 make millions of dollars based on profit, how do
21 we get our Historically Black Colleges to think
22 profit, to think sustainability when it comes to

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1 educating the African American and really
2 educating period? Because I am a golfer, too,
3 Chairman of the Board of Women in Golf Foundation
4 and we bring women down here every April from
5 Historically Black Colleges and they are of
6 different nationalities who play golf. And to
7 me, it is so encouraging.

8 It is so encouraging, we are in our
9 19th year of Women in Golf. And to have a
10 diverse also background in Historically Black
11 Colleges to me that is healthy because that
12 provides the think tank that you need. But this
13 was in golf and this happens to be on my outside
14 community activities. I am Chairman of the
15 Board but it is a volunteer organization.

16 So imagine merging with
17 corporations who understand profit. That
18 profit entity comes into the financial aid
19 divisions of every single Historically Black
20 College entity develops an infrastructure for
21 them so financial will no longer be an issue of
22 why Historically Black Colleges cannot sustain

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1 themselves number one, and number two, all those
2 who are on financial aid, they will not be
3 crippled by debt in the future because the
4 Department of Education has developed a
5 blueprint for their success before they get out,
6 so that they have no debt in the next four years.

7 Also, due to the workplace
8 environment, there are people who are
9 underemployed. When you figure a lot of people
10 who are Ph.Ds, master's degrees, bachelor's
11 degrees, they are management at some of the fast
12 food restaurants, restaurants period, people
13 are having to find out all types of ways to do
14 different things. And I saw in your perspective
15 one of the areas there are, do we provide
16 financial aid to certain disciplines in which
17 students are going in. And that is hard for me
18 to look at because to cut out certain majors or
19 whatever because it is not the yield of the
20 global economy, I think we have to think about
21 that more.

22 Let me give you an example. Again,

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1 I am going back to me being an executive director
2 for a non-profit music organization. They are
3 cutting out music all across the board when it
4 comes to collegiate, high school, middle
5 schools. We don't even have a lot of feeder
6 systems for elementary schools. So a lot of
7 times when we do our comprehensive program for
8 financial aid, we have to do a comprehensive
9 programming for what happens at the early age of
10 pre-K, what happens at the early age of
11 kindergarten because I remember in kindergarten
12 doing The Hokey Pokey and dancing all around.
13 But what that did, that helped me with my
14 education for the future and that was very key.

15 But music is a great key. How many
16 of these institutions have strong music
17 programs? Spelman College had -- how many more
18 minutes do I have?

19 MS. MICELI: You're over time.

20 MS. A. JACKSON: Overtime. So can I
21 conclude? Okay.

22 MS. MICELI: Just a minute to wrap

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1 up.

2 MS. A. JACKSON: So I am going to
3 wrap up and say that endowments of Historically
4 Black Colleges, Spelman has a really good one.
5 But we need to consider how Lockheed Martin is
6 helping Historically Black Colleges, McDonald's
7 is helping Historically Black Colleges, how
8 corporations recruit talent from Historically
9 Black Colleges. And what is that code of ethics
10 and how corporations can begin to help
11 Historically Black College get into the profit
12 center, as well as the education centered to keep
13 their mission alive.

14 And we went from the industrial
15 education to the professional success to
16 succeed. All industries, even if a person goes
17 into shoe shining, that is success for me because
18 I like my Ferragamo shoes to be shining. So
19 there is no profession that is insignificant to
20 us and I would further employ the Department of
21 Education not to cut any programmings but to use
22 corporations' infrastructure into the

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1 Historically Black Colleges and not let
2 Historically Black Colleges due to austerity cut
3 key programming like education that Spelman is
4 cutting and sports and they haven't developed a
5 proper infrastructure. And sports, as we know,
6 is big money.

7 Thank you.

8 MS. MORAN: Thank you very much, Ms.
9 Jackson.

10 (Pause.)

11 MS. MORAN: For the record, we will
12 take another break to see whether in fact we
13 have any other speakers. We have no one else
14 registered at this time but certainly walk-ins
15 are welcome.

16 (Whereupon, the foregoing hearing
17 went off the record at 3:13 p.m. and went back
18 on the record at 3:15 p.m.)

19 MS. MICELI: I'm going to go back on
20 the record for a moment. Okay, just going back
21 on the record for our lovely audience. I just
22 wanted to note that the comments are due today,

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1 June 4th. And I just wanted to make sure that
2 that was clear. I believe in our opening
3 remarks we may have said that we actually may
4 have just been vague. I'm not sure what we said;
5 if it was said for June 4th specifically.

6 I just want to make for the record
7 it clear that the comments are due today. And
8 we will take a short break.

9 (Whereupon, the foregoing hearing
10 went off the record at 3:15 p.m. and went back
11 on the record at 3:23 p.m.)

12 MS. MORAN: Okay, we will go back
13 into formal session now and we would like to
14 invite Nia Weston to speak.

15 MS. WESTON: Good afternoon. My
16 name is Nia Weston. I am a class of 2010
17 graduate of Spelman College and I am a recent
18 graduate of the William H. Bowen School of Law.
19 And I am here today to speak from my experience
20 with student loans. I financed my education
21 fully with student loans. My loan balance right
22 now stands at \$205,000, which I think is an

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1 exorbitant amount to pay for education these
2 days.

3 And from my perspective, the way
4 that we measure accountability with student
5 loans is incorrect and this should be changed.
6 I think determining whether or not a student
7 should get a student loan based on their parent's
8 credit history is an invalid method as to whether
9 or not they will actually graduate from the
10 school. And I think that is a more accurate
11 measure of their ability to pay their loan is
12 whether or not they will actually graduate.

13 I have a big issue with for-profit
14 education in that they sell a lot of
15 unsophisticated students a model that they will
16 make this amount of money if they pay \$30,000 a
17 year for a degree that -- for a degree in a field
18 that is not necessary to have a degree in. I
19 think that is the major problem, especially in
20 rural areas.

21 I went to law school in Arkansas and
22 there is a -- I'm not going to say the name of

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1 the college but there is a major college down
2 there that recruits students with no GPA
3 requirement, no SAT requirement. And a lot of
4 those students flunk out within the first year
5 but they have incurred an amount of debt that
6 from now on they can only work a minimum wage job.
7 Or it kind of it like -- it kind of I guess holds
8 up their career aspirations. Because now, once
9 they have that amount of debt, they can only work
10 minimum wage to pay that off, instead of actually
11 pursuing a career or a field or a career in an
12 industry that they actually want to work in. So
13 they get kind of stuck in the same position just
14 based off going to college right out of school,
15 instead of actually taking the time to figure out
16 what they want to do and what is the best mode
17 for them. Because I think we sell kids a model
18 that if you don't go to college, society views
19 you differently. And I think that is the wrong
20 model, especially in rural areas where there are
21 so many different careers you can have without
22 actually going to college and paying for college

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1 through a student loan.

2 But at the same time, I think student
3 loans are desperately needed, especially in my
4 situation. My parents could not afford to send
5 me to school and especially an elite school, an
6 elite college without student loans. I didn't
7 come from an income background where I was poor
8 enough to qualify for Pell grants and everything
9 like that. But at the same time, my parents
10 never really learned how to manage their money.
11 So they couldn't help me. Otherwise, without
12 student loans I wouldn't be in the position now
13 as a Spelman graduate and a law school graduate
14 at the same time.

15 I think there has to be more
16 accountability for loan counselors, especially
17 within for-profit education where a lot of them
18 get paid on commission basis, just leading
19 students in and kind of like a farm factory of
20 signing students up for education and not really
21 actually informing them of the dangers, I guess,
22 that come along with students and the debt.

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1 Like I recently purchased a car and
2 the loan information the loan counseling that I
3 got for my car purchase on that one day was much
4 more stringent than you get when it compares to
5 a student loan. And student loans are you are
6 getting a larger amount of money compared to
7 purchasing a car. But that was just an
8 interesting fact that I saw.

9 You know they give you the loan
10 waiver which most 18 year olds don't read. I
11 think there has to be more extensive loan
12 counseling, I guess, per student. Especially
13 knowing their individual background, knowing
14 where they come from, especially if they come
15 from a low-income community and that they
16 probably have no experience with loans outside
17 of that student loan experience. And it being
18 the first one, I think it just should be a little
19 more extensive as to really knowing the rate you
20 are going to pay for 20 years, the interest
21 rates, percentage, how they can change and
22 things like that.

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1 I know there are things that are out
2 there now but from my experience when I entered
3 school in 2006, it wasn't as extensive as I think
4 it should be.

5 And I think that is all I have to say
6 right now.

7 MS. MORAN: Okay, thank you.

8 I just want to say we're on a break,
9 for the record.

10 (Whereupon, the foregoing hearing
11 went off the record at 3:29 p.m. and went back
12 on the record at 3:55 p.m.)

13 MS. MORAN: Okay, I believe it is
14 now 4:55 p.m. and this hearing public hearing now
15 stands adjourned.

16 Correction, it is now 3:55 p.m. and
17 this public hearing stands adjourned.

18 (Whereupon, at 3:55 p.m., the
19 foregoing meeting was adjourned.)

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