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PUBLIC HEARING

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The Public Hearing convened in Cowles Auditorium in the Humphrey School of Public Affairs Building at the University of Minnesota, 301 Nineteenth Avenue South, Minneapolis, Minnesota, at 9:00 a.m., John Kolotos, Moderator, presiding.
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MS. MICELI: Good morning, everyone.

(Chorus of good morning.)

MS. MICELI: Thank you. Good morning. I am Julie Miceli. I am the Deputy General Counsel at the U.S. Department of Education and I want to welcome everybody to Minneapolis and thank you for hosting us here.

This is the second of four of our public hearings and I am going to just provide a little bit of context of what we are looking to hear from the field about today. And then we will go ahead and get started with public hearing session.

In today's global economy, a college is no longer a privilege for some but rather a prerequisite for all. In the last year, 60 percent of jobs went to those with at least a bachelor's degree and 90 percent
to those with at least some college.

Over the next decade, as many as two-thirds of all new jobs will require education beyond high school. This is why the President's plan for a strong middle class and a strong America calls for expanding the available of postsecondary education or training for everyone in America.

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

Today's hearing gives us an opportunity to begin conversations with the higher education community on rules that will ensure that colleges and universities are giving students a high quality education that prepares them for the workforce and lifelong
success. These hearings are meant to be comprehensive and will include a discussion of topics like state authorization for online programs, issues surrounding institutions management of federal student aid funds, and how to define gainful employment.

This process builds upon previous steps to develop regulations that protect taxpayer funds and ensures that all students are able to access and afford a quality higher education. We know college is one of the best investments anyone can make but we want to make sure that students and taxpayers are investing in programs that prepare graduates with the skills and knowledge they need to compete for high paying jobs.

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

Last year, the Department held discussions about rules that would be designed to prevent fraud and abuse of Title IV federal student aid, especially within the context of current technology. In particular, the Department announced its intent to propose regulations to address the use of debit cards for disbursing federal student aid, as well as to improve and streamline the campus-based federal student aid programs.

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

Cash management. The Department is specifically interested in looking at that regulation -- the regulations governing when and how institutions disburse federal student aid, how institutions invest and manage those
funds, and other issues on this topic.

State authorization for distance education programs. The Department had previously regulated on this issue but a court vacated those rule on procedural grounds in 2011. With that regulation no longer in place, the Department is interested in ideas for how to address the requirement that States authorize the institutions that provide distance education to its residence when an institution does not physically locate in their State.

State authorization for foreign locations in domestic institutions, that is another. Similarly, the Department is interested in ideas for how foreign locations of domestic institutions should be treated under the State authorization regulations, since the current rules don't specifically address foreign schools.

Clock to credit hour conversion.

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

Gainful employment. Last June, a U.S. District Court vacated regulations defining what it meant for a program to provide gainful employment in a recognized occupation but it affirmed the Department's authority to regulate in this area. The Department is now interested in public input on other potential approaches to distinguish between successful and unsuccessful approaches -- programs that seek to prepare students for gainful employment, thoughts on what the best measures or thresholds should be, and how to best construct an accountability system.

Campus safety and security reporting. The reauthorization of the Violence Against Women Act made some changes relating to the information institutions are
required to collect and disclose as part of the Clery Act. The Department is proposing to develop regulations to implement these new requirements.

Definition of adverse credit for the Direct PLUS Loan program. The PLUS loan program requires that applicants not have an adverse credit history to receive a loan. What constitutes adverse credit was defined in regulations published in 1994, when credit conditions and consumer markets were different and loans were made through two different programs. Since the conditions have changed, the Department is interested in comments on whether it would be appropriate to modify the definition of adverse credit and if so, what changes should be made.

Based on the comments gathered at the hearings, the Department will draft a list of topics to be considered by rulemaking committees. It is likely that negotiations will begin this fall and, prior to that, we
will issue a Federal Register notice seeking
nominations for negotiators to serve on those
committees.

I thank you all for dedicating
your time and expertise to this very
important process. I look forward to hearing
your opinions on these very important topics
and appreciate your contributions.

With that, we will go ahead and
start the hearing.

MODERATOR KOLOTOS: Moriah Miles
and Shannon Glen.

MS. GLEN: Good morning. For the
record, my name is Shannon Glen and I am a
student at Anoka Ramsey Community College and
at Metropolitan State University. I serve as
the Vice President for the Minnesota State
College Student Association or MSCSA.

MSCSA represents more than
100,000 public tier community and technical
college students at 47 campuses across the
state. Thank you for the opportunity to
share MSCSA's priorities on higher education
rulemaking.

MSCSA supports the efforts by the
United States Department of Education to
increase accountability in higher education
institutions and help students find
employment upon graduation. Minnesota public
college students pay the third highest
tuition and fees in the country. With the
skyrocketing cost of college, students need
greater access to state and federal financial
aid. Keeping Stafford Loan interest rates
low, increasing Pell grant funding,
maintaining support for other types of
federal aid and making changes to the
Preferred Lender Program will all serve to
help make college more affordable and
accessible.

Under the topic of cash
management, I would like to voice MSCSA's
support for making changes to the Preferred
Lender Program to help students gain access
to information on state loans.

    The preferred lender program, part of the Higher Education Opportunity Act of 2008 requires institutions to recommend multiple nonfederal loans if they recommend any such loans to students.

    As you know, this initiative is intended to prevent students from being pressured into choosing one particular private loan and to provide students with several loan options. However, states that offer their own student loan programs were swept up in this change, including Minnesota's State-run SELF Loan Program. As a result, many Minnesota students are unaware of the SELF Loan. The SELF Loan issued by the Minnesota Office of Higher Education can offer students a good alternative to private loans, with interest rates below that of many private lenders. Currently, institutions that do now want to recommend private loan options on financial aid award letters are
also unable to recommend the SELF Loan.

In the 2011-2012 academic year, 14,124 SELF Loans were issued. During the 2007-2008 academic year, prior to the Higher Education Opportunity Act of 2008, 28,302 SELF Loans were issued.

Prior to my involvement in MSCSA, I, like many Minnesota students were unaware of the SELF Loan program. Before starting my journey at Anoka Ramsey Community College, I was a student at the Aveda Institute here in Minneapolis and only knew about private student loans. Looking back, I wish I knew about the SELF Loan program because it is a better alternative to the majority of private loans. With the lower interest rates on SELF Loans compared to my private loans, I could have saved thousands of dollars in interest payments.

MSCSA supports changing the preferred lender program under the proposed cash management policies because it would
help Minnesota students access more information about their federal financial aid options and, in turn, make better decisions on financing their higher education.

In addition to preferred lender requirements, our students share the growing national concern around fees charged against student aid when disbursed on debit cards. In Minnesota, half of our two-year colleges use Higher One, a for-profit company to disburse millions in federal financial aid dollars to students each year. Unfortunately, students whose aid is linked to Higher One may face unnecessary fees to access this aid. Like many banks, Higher One charges its account holders various fees for use of the account. A primary way the account holders accrue fees is when they withdraw federal financial aid funds from a foreign ATM. Higher One only has 26 ATMs to serve tens of thousands of students across the state. Nationally, the lack of available
ATMs has led to long lines, out of order machines, and students forced to use foreign ATMs.

Here in Minnesota, we have had several Higher One ATMs that were out of money or inoperable when students needed to access their funds at the beginning of the semester. Without adequate Higher One ATM access, our students lose critical aid to these fees.

Our students would like to see increased scrutiny on the ATM and fee practices of third-party financial aid disbursement companies.

Again, thank you for the opportunity to address the higher education rulemaking proposals. We appreciate the Department of Education's efforts to ensure colleges and universities are providing students with the quality of education that sufficiently prepares them for success in the workforce.
At this time, I will stand for any questions.

MS. MILES: Hello. My name is Moriah Miles. I am the State Chair of the Minnesota State University Student Association. We represent the 75,000 students that attend the seven state universities, including Mankato, Moorhead, Winona, Southwest State, Metropolitan State, St. Cloud State and Bemidji State.

The first issue facing our students we would like to address today is under-regulated financial aid disbursement financial institutions such as Higher One. These financial aid institutions are getting rich off taxpayer dollars that are intended to help students. And through their unfair fees, instead, end up in the pockets of wealthy investors. The biggest firm in the business is Higher One. It makes 80 percent of its revenues by siphoning fees from student aid disbursement cards totaling
$142.5 million of its $176.3 million total revenues in 2011, according to SEC filings. These fees include ATM and other transaction fees, overdraft fees, and interchange fees imposed on merchants who accept cards. There needs to be a serious discussion in this process to ensure that students are not continually taken advantage of in an emerging market with very few consumer protection regulations.

More and more bank regulators are expressing the concern with this market and the sector is growing quickly. Students need protections quickly and this industry needs rules before they become too entrenched. We ask that this committee fast track to have the card rules established in negotiations so they are fully implemented by the 2014-15 school year. We believe a well-structured debit card program can provide benefits to students but many current programs provide little to no choice while high fees on grants
and loan money leave students in deeper debt. These companies are continuing a long track record of targeting colleges as gatekeepers to access students to push banking products that can greatly hurt our students. There appears to be a gray area in current regulations. While the intent is to provide students free access to their aid, that is not what is happening in most places.

There should be clarity now so that the negotiations can focus on regulatory review and not the uncertainty of language. We ask that this committee consider issuing a "Dear Colleague" letter before the start of the 2013-14 year clarifying the rules. The Department of Education could work to clarify what convenient access to ATMs means and the crackdown on aggressive and predatory marketing by only allowing debit card mailings to students who have affirmatively opted into the service.

While schools obtain revenues in
reducing costs by outsourcing certain services, the relationship between schools and financial aid institutions have raised questions because students end up bearing the cost most directly, including per swipe fees of 50 cents, inactivity fees of $10 or more after six months, overdraft fees of up to $38, and plenty more. Other issues include the effect of aggressive marketing strategies by partnering companies on student choice and weaker consumer protections on certain cards that hold student financial aid funds.

Many of our students have faced issues with these financial aid institutions on our campus at Metropolitan State University. We have heard stories of students that were required to fax a form containing personal information, including their Social Security number, and go through a process that delayed the disbursement for weeks. These students were forced to go through an unsecured process providing
personal information in order to opt out of the debit card disbursement process. Many students received the debit card in the mail with no prior notification and simply threw the card away, incurring an additional fee when trying to gain a new card. These are just a few of the issues we have heard over and over again.

Lastly, we support the basic minimum standards for gainful employment. Currently, for-profit colleges have 13 percent of the students but 47 percent of the student loan defaults. Abuses by for-profit colleges impair our efforts to help Minnesotans receive high quality education. We have limited resources for our state grant program and the Pell Grant and we need to ensure these investments are not squandered.

As I am sure you have heard and will hear through these hearings, there are numerous issues that need to be addressed. Thank you for allowing us this opportunity to
address the committee and we look forward to partnering with you moving forward in this process to ensure students and consumers are protected.

Thank you.

MODERATOR KOLOTOS: Peter Graham.

(No response.)

MS. MICELI: Just as we're waiting to call our next speaker, just for anybody who has not signed up for a slot and would like to speak, there are slots available. We are keeping comments to ten minutes and we will certainly let you know if you are getting close to your time. But if you do want to sign up, please just see Amy here, who is up at the top with the laptop and she can schedule you in.

MODERATOR KOLOTOS: Laura Hoffman, if you want to speak now, we can. Thank you.

I just want to remind everyone we have a ten-minute limit on the testimony and
I am on the clock. So, I will let you know if you are running over. Thank you.

MS. HOFFMAN: Hi. For the record, my name is Laura Hoffman. I am a 2013 graduate at the University of Minnesota and a former member of the Minnesota Student Association, which is our undergraduate student body government here at the U. I am speaking on behalf of current and former students across the University of Minnesota system and students across the country that cannot be here today.

I am here today because I was very lucky when it came to paying for college. Because of scholarships I received and, more importantly, the contributions of my parents, I was able to avoid taking out loans for my college education. Unfortunately, I am the exception to the rule. The reality is, total student debt in the U.S. currently exceeds one trillion dollars and average student debt is $26,600
in the United States and almost $30,000 in Minnesota. And although I have managed to personally avoid my share of this debt, those numbers still worry me immensely.

When I think of student debt today, I think of those graduating seniors whose families were unwilling or unable to help them through school. I think of my friend, Shane, who graduated on Sunday with thousands of dollars in student debt and who I haven't been out to dinner with in months because his funds are so tight that he can't take a night off work. I think of my friend, Alexa, who graduated on Monday in a similar situation. She has been working three jobs since our sophomore year of school and, as well as balancing the rigorous course load required of a student of the Carlson School of Management. And I think about the weight that this debt places on students across the country who have so many other things about which to worry. As a recent grad, I am
already under a huge amount of stress to find a job in a struggling economy, especially in a field that I enjoy and with a salary that can pay my rent and other living expenses. That is something that weighs on me daily and I can't imagine what the pressure would be like with $30,000 extra dollars in debt hanging over my head.

And here is the problem. You know people are putting off getting married, and buying a car, and buying a home because of the debt and unemployment after they graduate. Debt has skyrocketed because tuition has skyrocketed. My father went to the University of Minnesota back in the '60s and he paid like $500 a year to go to school here. I think I paid like $6,500 to go to school this year. That is insane. Any solution to fix the debt crisis really needs to involve reducing tuition.

We have seen tuition double in the last ten years at the University of
Minnesota, while class sizes and administrative and athletic expenses have only increased. And the University here has over six hundred million dollars in unrestricted net assets, which is money that is sitting in reserves and not being dispensed to students as fellowships, or grants, or scholarships that could be used to be paying for quality instruction at a growing university.

Some things that we are advocating to fix these problems though are first and foremost we need to ensure that students are equitably represented throughout the rulemaking process. We want 75 percent of the members of the negotiated rulemaking committee to be students. According to the National Center for Education Statistics, students make up 85 percent of the people at institutions that receive Title IV funding and the least we can ask is for fair representation on a committee that is working
on these regulations that will impact us all so drastically.

As a recent University of Minnesota grad, I am here to show the Department that students are aware of these policy initiatives affecting us and we know that it is alright to be at the table to direct those initiatives.

It is also vital that federal funding for higher education is disbursed to schools based on their track record of making college affordable for students. Regulations really must restrict and award federal funding to higher education institutions, based on their ability to turn school revenue into affordable tuition and quality instruction, keep average student debt and loan rate defaults low, as well as help students get jobs on graduation. Reporting on finances and accounting is something that benefits all stakeholders in higher education, including the higher education
institutions themselves. And if they expect
to get money from the national government,
they really should be able to provide these
resources to students and make sure that they
are using that money in a responsible manner.

Also, this year's broad coalition
of students introduced a bill in the
Minnesota Legislature called Opportunity
Minnesota. This will be further explained by
a testifier later in the day but we believe
that a mechanism similar to the one used in
the bill, which is student debt relief
through a refundable tax credit, could be
implemented in the Higher Education Act to
mitigate the student loan debt crisis and
regenerate the middle class in the country
once again.

So thank you so much for your
time in allowing us to speak here today about
these educations issues -- finance issues
that are facing us all. I really appreciate
the opportunity. Thank you.
MODERATOR KOLOTOS: We're running a little ahead of time but if Michael Rosen is available.

MR. ROSEN: Good morning. I'm only available after an amazing cab ride we got. I don't know.

In any case, my name is Michael Rosen and I have been an economics professor at Milwaukee Area Technical College for 26 years. MATC is one of the largest two-year colleges in the nation with 50,000 students. The majority are students of color, economically and disadvantaged.

I am appearing before you today to urge you to develop a strong gainful employment rule to ensure that students who attend college with noble academic and employment aspirations are not left unemployed or underemployed with huge debts they have no possibility of paying back. I have become an advocate for gainful employment regulations, based on my own
experience and that of literally dozens of former for-profit college students I have met.

Three years ago, I read an article in Milwaukee's local paper about a new technical college that was planning to open a block and a half from MATC. That piqued my interest because I wondered why Everest College, which I never heard of, would want to locate so close to the State's largest public technical college. So I did some research and was shocked to learn that Everest, a subsidiary of Corinthian College was mired in controversy over poor graduation and job placement rates, that its credits didn't transfer to most colleges and universities, and that its students had incredibly high student loan default rates. I also learned that it was subject of several lawsuits and investigations and it recently settled with the State of California for almost seven million dollars.
I contacted the city council person who represented the district Everest wanted to locate in. She was equally concerned and asked me to appear at a Board of Zoning Appeals hearing on Corinthian's request for a zoning change so they could begin construction.

Upon hearing our concerns about Everest's record, the Board held the decision over for a full public hearing. Corinthian representatives at that hearing threatened that if they did not receive immediate approval, the redevelopment deal would die. That proved to be an idle threat but representative of their corporate culture.

A hearing was finally called for February 2010. Corinthian spared no expense, hiring one of Milwaukee's most expense public relations firms and pressuring the Chamber of Commerce to hold a public meeting to promote their venture.

The public relations
representative met with me twice and asked me what Corinthian could do to get me to stop opposing their project. Opposition to Everest had grown, including the residence council representing the housing project next to Everest’s desired location, the NAACP, seven additional aldermen, the MATC District Board, and a local Latino organization.

Nonetheless, the Board of Zoning Appeals approved the project, which was subsidized with eleven million dollars in interest-free bonds. But the spotlight was now on Everest.

Less than two years after it opened, it quietly announced it was closing. But because its opening had been so controversial, the decision became big news. Immediately, the local media learned that our worst fears had been realized. As it had in other cities, Everest enticed low-income students with a promise that they would find gainful employment after they completed their
studies, encouraged and sometimes coerced them to take out huge loans to pay for programs that cost four times what they would have paid at MATC, and had more students drop out than graduate from their programs.

An article in the Milwaukee Journal Sentinel documented the damage. More than half of the 1,585 students who enrolled since October 2010 when the school opened dropped out. Everest placed only 95 students by the end of July, less than six percent of enrollees and 25 percent of its grads. By comparison, according to Wisconsin Technical College Systems Annual Graduate Follow-up Report, 88 percent of the 2,011 graduates from the technical colleges were employed within six months of graduation, 71 percent directly in their field of study.

At the time its closing became public, Everest had only 300 students enrolled. At the behest of the Education Approval Board, a Wisconsin regulatory body,
it agreed to pay the loans of the 827 dropouts, assuming that they can be located, and those of any of the 300 students who didn't make it to the end of March. That debt at that time was estimated at 3.7 million dollars.

The Mayor sent a letter requesting that Everest pay the loans of those who had graduated and had not got jobs but Everest would not agree. The school is now closed and there are hundreds of former Everest students who are left with broken dreams, no jobs, and huge debts. One of them is Michelle Reese, whose full testimony I will supply to the committee electronically. Her experience is like many others who have been lured into attending for-profit colleges by the promise of an accelerated academic program that will lead to immediate and gainful employment. She wrote, I graduated with a 4.0 GPA and was an Everest Ambassador. My credentials speak for themselves. I have
had only three interviews for offices in my field, all of which I found on my own with no help from Everest. They promised me, based on their advertising, a better life and that they would place me in my desired field of study. Everest was not the start of a better life but more of the beginning of a long, still unfinished nightmare, leaving me with a ten to fifteen thousand dollar debt and no new start.

Or Karen Kilpatrick, an Everest grad. Everything they promised was a lie. I could talk all day about how my decision to go to this career college ruined my life but, unfortunately, I don't have enough time in the day because I am working two jobs as a housekeeper and personal aide and have two children to take care of. My intentions were to give my children a better future by bettering myself through education. Everest ripped that dream away from me and is the reason I am struggling with twelve thousand
dollars in debt.

Or Antonia Fuentes. I enrolled in the criminal justice program at Sanford-Brown. My recruiter embellished on the career outlook, promising a bright future with a favorable career. From the salary level of $40,000 annually to the success stories plastered all over the walls, it was an advertisement strategy to recruit vulnerable students to enroll in their bogus programs. The credits I earned were non-transferable to any four-year degree program. I found myself stuck with close to $30,000 in loan that I may never be able to pay back.

It has been almost four years since I graduated and I am without a job in my field.

And finally, one more, Kyla Morrison. These are a selection of four from fifteen that I have collected just when I heard about this hearing. I was a good student with good grades. When I finally had an interview with Aurora Health Care, the
lady confided in me that this school had a bad reputation and no one wanted to hire anyone from this school. I started talking to other graduates and they, too, were having the same issues. I went back to school where they had people who were supposed to help you find jobs. This, again, was no help. This school was a total disappointed and I wasted so much money on a school that got me nowhere.

These are just a sample of the testimony that I will submit but all of them indicate that students, many of whom have no experience with higher education, are lured into enrolling in for-profit colleges by aggressive and recruiting marketing techniques, the promise of accelerated classes and effective job placement services and high-paying employment. I would submit to you that this is a business model, yet they wind up with their dreams destroyed, credits that do not transfer, huge debts they
cannot possibly pay back, and no gainful employment.

The reason there are so many dissatisfied students, multiple lawsuits, 32 State Attorney General investigations, is that the business model is focused on misleading and aggressive advertising and recruitment paid for by procuring government loans for students. In my conversation with these students, to a person they said that they chose to go to a career college because they didn't want to waste their time taking English and math courses. They were told they could, in nine months, be graduated with a degree that would get them a job so they could get on with their lives.

Because for-profit colleges go as profit not placement, their primary concern is getting students signed up, not educating them.

MS. MICELI: Sir, your time is getting close.
MR. ROSEN: Okay.

MS. MICELI: If you could just wrap up your comments.

MR. ROSEN: Yes. Several of the students I have spoken with were counseled to forebear their loans, regardless of their individual financial situation and despite the fact that depending on the loan, interest could continue to accrue in other repayment plans. This practice, along with other reports from for-profit schools, suggests a strategy. I urge the Department also to consider this possibility and other evasive tactics in writing new gainful employment regulations.

A gainful employment rule -- I am ending right now -- that ensures that former students attain meaningful education to qualify them for jobs that pay back for them -- that pay enough for them to pay back their loans is very important. It is good for the students and the taxpayers. Gainful
employment regulations will help ensure that
the nation's Antonias, Karens, Kylas, and
Michelles, and millions like them who are
willing to juggle school, work, and family to
secure a better life for themselves and their
children will not be taken advantage of by
unscrupulous career colleges that provide
them with no career and no meaningful
education at all. Thank you.

MS. MICELI: Thank you.

MR. ROSEN: Do you want this
submitted in written form also?

MODERATOR KOLOTOS: We are
running five minutes early. So if Dan
Solomon wants to come to the microphone.

MR. SOLOMON: Hi, my name is Dan
Solomon and I work for United States Senator
Al Franken as his education person in the
State of Minnesota and I will keep my
comments very brief.

Basically, I just wanted to thank
you all on behalf of Senator Franken for
coming to Minnesota. These field hearings are important and we really appreciate you and the Department taking the opportunity to come out and meet with Minnesotans and get their input and their feedback.

Senator Franken's office just completed eight college affordability resource nights across the state, where we offered financial aid advice to parents and students. And as you all know better than anyone else, the issue of college affordability is hugely important to our state and our nation. And so on behalf of Senator Franken, thank you so much for coming and the Senator looks forward to continuing to work with the Department as we try to meet this critical need and address the crucial issue of college affordability.

So, thank you.

MS. MICELI: Thank you. Thanks for having us.

MODERATOR KOLOTOS: Todd Jones.
MR. JONES: My name is C. Todd Jones and I am President and General Counsel of the Association of Independent Colleges and Universities of Ohio. I am testifying today on behalf of the organization.

AICUO represents 50 independent non-profit colleges and universities in Ohio, which educate over 130,000 students and award degrees at the associate, baccalaureate, masters, professional and doctoral levels. Membership includes five institutions with substantial online educational programs, and numerous others that utilized online programs. I am here today to testify on three topics: the proposed state authorization regulations, specifically; the gainful employment regulations, specifically; and third and most importantly the evaluative standard used in the development of consensus through the negotiated rulemaking process.

Before discussing these topics, I will add one final matter for considering the...
context of my comments. I was also designated by Secretary Duncan as a negotiator in the 2009-2010 for the independent college sector for then Proposed Program Integrity Regulations. During the Program Integrity Regulations, the Department proposed regulations on state authorization of higher ed programs, the final rules unilaterally moved into content that was not raised during the negotiations, and when the Department's rules were challenged in federal court, they were rejected as conflicting with the negotiated rulemaking process.

The Department of Education is to be commended for its efforts in this area, regardless of the outcome of the federal case. ED raised an important and timely issue during the Program Integrity negotiations: How do state regulations on program authorization interrelate in an era of cross-border online education? Unfortunately, the Department's proposal this
year to regulate yet again in this area is premature and I recommend the Department defer regulatory action. As the Department is aware, currently the President's Forum, the Council of State Governments Regional Education Boards, APLU and SHIO, among others, are developing the State Authorization Reciprocity Agreement, SARA. While there is still significant work ahead for SARA, it represents two things: an honest effort to forge a true consensus and a process through which interested parties participate with highly informed stakeholders with deep knowledge of state laws and practices.

The fixed timeframe of negotiated rulemaking and the limitation of participations that inherently must exclude some stakeholders for the purposes of making negotiations on other rules possible, makes negotiated rulemaking less suited to a complex issue like harmonization of over 50
state regulatory regimes. However, the very fact that the Department could still regulate on any shortcomings of SARA if it came to final agreement, means that the Department would be best advised to withdraw its announcement to regulate on State authorization for distance education and let the process run its course.

Gainful employment regulations are another area on which the Department attempted to regulate during the program integrity sessions. I will only make two modest recommendations on this matter. First, the Department should seriously consider the difficult questions it was unable to answer during its initial foray on gainful employment. What are the possible unintended consequences of the proposal and how does the Department respond to them? Will the proposal encourage students to focus primarily on short-term earnings increases, that is the data available, and that is given
emphasis by the U.S. Department of Education? How could the Department ever hope to give such data proper context?

Is a college, for example, that produces significant numbers of teachers for Appalachian students and Native American reservations protected from inappropriate scrutiny from ED for doing exactly the kinds of public service jobs that are the basis of the Administration's loan forgiveness proposal? What will the Department do for colleges that graduate significant numbers of students that move out of state or internationally? As senior staff will remember from my dreary monologues during the negotiated rulemaking three years ago, these questions can go on and on.

Second and more importantly, is there a less burdensome, less invasive, less burdensome method of achieving the policy goals sought by the Department? The purpose of the regulation is to identify fraudulent
institutions, ones that provide education with Title IV funds where former students do not obtain employment in the field advertised by the institution at appropriate compensation.

During the former negotiated rulemaking session, I suggested other significant indicators of non-employment, namely, student default rates and complaint rates. Having created the mechanism for complaints at the state level, the latter data are presumably available to the Department. Default rates are also readily available. The reality is the Department lacks the fortitude to force closure of institutions where default rates reach unconscionable levels, like one-third of loan recipients.

This Administration has been in power over four years. I would like the Department to report on how it is aggressively investigating all institutions
above some unreasonable default level. However, as a former senior Department official myself, the reason is as well known to me as it is to today's Department leadership: politics. The Department is unprepared to use the obvious standard, so it chooses to burden the entirety of higher education because that is easier to execute and more uniform in application. There is a difference between balance and fairness and the Department should allow itself to regulate those institutions that are problems and free those that are not.

Finally, I must mention the very means by which the Department is seeking change. I have a great deal of respect for Secretary Duncan's efforts over the last four years to help make college more affordable, to protect the Pell Grant program and his honest efforts to reduce fraud in federal higher ed programs. Unfortunately, the means used to date in negotiated rulemaking and
elsewhere are greatly increasing the likelihood that the policy changes he has sought will be undermined or eliminated in the future. The lesson of Secretary Spelling’s work with the creditors was lost in administrative transition. Her unilateral attempts to change the purposes of accreditation led to direct congressional rebuke.

In a similar manner, this Administration is overriding the general consensus on state authorization regulations let it go for broke, promulgating final regs it wanted over a general consensus. As a result, Congress acted and the federal courts ultimately overturned the regulations.

It is worth noting -- it is worth briefly cataloguing the unilateral imposition of higher education policies by the administration in the last four years, beyond the examples I have cited. During the Program Integrity session, the Department
reversed an explicit unanimous consensus on
the definition of credit hour, with a
rationale that even the Administrator's
supporters are at pains to explain with
clarity to this day.

Other rules with essentially no
observable need outside the State of
California, like the State complaint
regulations, were also driven through
overwhelming consensus. During teacher
preparation sessions, the Department
explicitly stacked the panel with supporters
and yet when even these supporters were
unwilling to swallow what the Department
demanded, senior Department staff talked over
and refused to recognize for comment any
dissent. Clearly, if the regulations remain
in the same form once they leave the Office
of Management and Budget, they will remain
controversial.

In addition, the Department
carried

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regulations in the law's history to suit the Administration's priorities, taking no significant advice from the public.

Finally, the Department unilaterally changed a major evidentiary standard for scrutinizing sexual assault cases under Title IX in 2011. As the former Assistant Secretary for Enforcement, I can tell you that the move itself shocked me less than the comments from General Counsel outside Ohio with whom I have spoken. They have told me they believe the new guidance is actually decreasing the reporting of sexual assault but they can't tell the Department for fear of being targeted for investigation by OCR. This is the information the Department would have learned if it had conducted it in an open process.

I raise all of these examples because my great concern is that this negotiated rulemaking session is going to mirror the other unilateral policy processes
conducted over the last four years. My recommendation to the Department is that it step back from imposing its current views onto higher education and listen to a real public consensus process. If it does not, it will either be a replay of the late Clinton administration where congress, democrats, and republicans conducted an HEA reauthorization with no input from the administration or it will see a tidal wave reversal four or five years hence with no deference to the legal status quo because the Department and its leadership refused similar deference to or input from any stakeholders with which it disagree.

Thank you for the opportunity to speak with you today.

MODERATOR KOLOTOS: Brian Dailey-Arndt.

MR. DAILEY-ARNDT: Good morning. My name is Brian Dailey-Arndt. I am a current student at the University of
Minnesota and I am the Vice Chair on the
Board of Directors for MPIRG, the Minnesota
Public Interest Research Group, working with
the U.S. as well as the Minnesota Student
Association and the Minnesota Student
Legislative Coalition, to pass statewide
initiatives to address the student debt
crisis.

In addition, I am a leader with
Take Action Minnesota, a network of
grassroots power organizations spanning the
State of Minnesota. Take Action is an
affiliate of National People's Action,
through which students in Minnesota have been
working with and in alliance with students
from the IIRON Student Network out of
Illinois and Indiana to fix the student debt
crisis as well.

So I am speaking today on behalf
of students across the State of Minnesota,
across the University of Minnesota system and
across the country who cannot be here today.
So I am here today because I recognize that the United States is in the midst of a crisis. Total student debt in the United States exceeds one trillion dollars and average student debt is $26,600 across the country. In Minnesota it is even worse, rounding out at almost $30,000. This is affecting middle class, working class, and poor families, pummeling them with incapacitating debt and causing financial and emotional devastation that, frankly, has not been seen before in this country in this form.

Students are putting off getting married, buying a car, buying a home because of debt and unemployment after they graduate. The reduction of this economic activity, which is what drives our economy, generates capital, jobs, and quality of life for all Americans is not relenting anytime soon. And it is going to force our economy to stagnate and to fall from the prosperity that it has
achieved as students here today become the leaders of this country tomorrow.

In addition, my generation will be expected to finance through taxes, the programs and services that our parents will need as they enter retirement, as we take their place as the workforce. Not since World War II have young people been expected to take on such responsibility for the future of the nation, yet had so few resources and so much opposition to fulfill that call.

I am here today because I want a better life than what my parents had and I see that that is at risk. What I want is the American dream and what students today feel is a birthright as citizens in this country, we now see as a dream that is evaporating as we speak. So I am here today to speak on behalf of the students that are feeling the real effects of the discussions that take place in this room.

So presenting a few ways that we
can address these problems. One, first and foremost, is to ensure that students are equitably represented throughout the rulemaking process. Seventy-five percent of the members of the negotiated rulemaking community must be students. The National Center for Education Statistics data shows that students make up 85 percent of all the people at institutions that receive Title IV funding. So that seems equitable to the students that are working on these issues.

Students are also aware of the policy initiatives that are affecting us and we know that it is our right to be at the table to direct those initiatives, not just tokenized at the table but collaborating and in a partnership with other stakeholders in this process.

The least we can ask for is fair representation on a committee that is establishing these regulations and that is going to impact us dramatically, more than
any other stakeholders, frankly, as this work progresses.

The second point has to do with administrative accountability and transparency. Debt has skyrocketed because tuition has skyrocketed. The average tuition has doubled in the last decade across the country. It has doubled here in Minnesota. And so every solution that we present to fix the debt crisis has to tackle tuition affordability head-on.

So as we have seen tuition double in Minnesota, we have seen parallel declines in expenditures on instructional salaries and increases in class size and administrative costs and athletic expenses.

In addition, the University has over six hundred million dollars in unrestricted net assets. That is not an uncommon thing, from what I am hearing, especially in public universities across the country. The University is sitting on
reserves that are essentially not being
distributed to students as fellowships,
grants, or scholarships that are used to pay
for quality instruction at growing
universities. These kinds of problems need
to be addressed directly by regulations. So
it is vital that federal funding to higher
education be disbursed to schools, based on
their track record of making college
affordable for students.

So at least three things that we
can do to make sure that regulations are used
to restrict and award federal funding for
higher education institutions based on their
ability to turn school revenue into
affordable tuition and quality instruction,
to keep average student debt and loan default
rates low, and to help students get jobs upon
graduation. Those three basic things are the
ways that we are going to be able to mitigate
the suffering that our economy is going to
endure in the future.
We have to set this kind of precedent for administrative accountability and transparency, simply as part of a 21st Century education system in this country. Adding another level of oversight at the federal level making information available for how schools are or are not going to every effort to make college affordable must be transparent and accessible for all students and their families as they make decisions about higher education.

Additionally, reporting on finances and accounting is something that benefits all stakeholders in this process and can benefit the institutions themselves as they can kind of prove their clout.

And as with any of these regulations that are being discussed here today, students need to be at the table to discuss how those will play out and make sure that they are implemented to benefit students in the long run.
Finally, I want to mention a State policy initiative that MPIRG has been working on a coalition with other organizations. We introduced a bill in the Minnesota legislature this year that relieves student loan debt payments through a refundable tax credit mechanism. It is called Opportunity Minnesota. It is based on a bill called Opportunity Maine that passed in Maine in 2007. This is a really innovative way to tackle the student debt crisis and we believe that this is a sound regulation that we can try to introduce at some level at the federal level to tackle the crisis head-on.

So the way it works is that students who complete their entire postsecondary degree at higher education in Minnesota -- this is on the State level I am talking about now -- they work here after they graduate and they make their monthly loan payments, reimbursed for the principle
and interest that they paid on their loans up to $4,000 a year at the end of each year that they qualify, based on those three things I mentioned. And the amount that they can receive is based on a series of income cut-offs that we have established.

So we have gone through rigorous economic analysis with the professor here at the University, Elton Mykerezi. He is an applied economist here at the University. He indicates that because the refundable tax credit mechanism incentivizes students to go to college who would have otherwise been priced out of going to school, the net fiscal and social benefits of the program ensure that it can become revenue neutral within ten years. So, it is pretty incredible.

These benefits are accrued through wage spillover effects, reduced incarcerations, and reliance on social programs, and a drastic increase in the tax base.
On a federal level, this mechanism could relieve the burden of student debt, while incentivizing more students who go to college and for our work for sustaining the United States. We could explain it from a state level to a national level. Finally, I mean this is just one example of how students are pushing initiatives at every level of our democracy to fix the student debt crisis.

This negotiated rulemaking process is yet another form in which we are presenting innovative policy solutions. As a constituency most directly affected by this crisis and the provisions of the Higher Education Act, the solutions that we are presenting deserve equitable gravity in the decision making process moving forward. We are living in this crisis. We are the workforce of tomorrow and we at least, at the very least are looking for adequate representation on the negotiated rulemaking.
committee to ensure that our interests are justly served.

Thank you so much.

(Applause.)

MR. DAILEY-ARNDT: I have some documents about the policy. I could leave those with you.

MS. MICELI: Yes. Can you leave them with me?

MR. DAILEY-ARNDT: Sure.

MS. MICELI: Thank you.

MR. DAILEY-ARNDT: Thank you.

MODERATOR KOLOTOS: Tricia Grimes.

MS. GRIMES: Good morning and welcome to Minnesota. I am Tricia Grimes. I work for the Minnesota Office of Higher Education, which is the state agency that does one of the country's leading state grant programs that complements the federal Pell Grant program. We also regulate private postsecondary education and provide policy
analysis and information for the whole state. We do not operate colleges and universities, not even the public ones.

On the issue of state authorization for distance education programs, we do want to reinforce the idea that it is important to ensure that institutions are operating legally in all states. Minnesota requires every school enrolling Minnesota residents in online courses or programs to register as a private degree-granting institution pursuant to the Minnesota Private and Out-of-State Public Postsecondary Act, unless the school offers the course for free or for a nominal charge. This registration requirement provides consumer protection to students who pay tuition and consume student aid eligibility with each term of enrollment.

Minnesota's requirements for online schools are more stringent than many other states. The explosion of online
distance education, especially over the past eight to ten years, has made the issue of state authorization and approval more critical than ever. Minnesota is one of the leaders in the state approval process called SARA that the testifier from Ohio recently mentioned.

In an effort to balance the need for consumer protection with the goal of allowing postsecondary innovation Minnesota adopted legislation regarding massive open online courses or MOOCs in the legislative session that ended earlier this week. The legislation exempts institutions in online course platforms offering free instruction from regulation by the state higher education agency, as long as fees associated with the courses do not exceed two percent of the undergraduate tuition charged for full-time students at degree-granting institutions, as published annually by the U.S. Department of Education. That law is included in the
attachments that we provided up there.

As you work to develop the state authorization rule, it is imperative that you include clear procedures for state regulatory agencies like ours to notify the U.S. Department of Education of possible illegal operations by schools in their state and provide a process for such claims to be addressed.

Turning to the topic of gainful employment, the increase in borrowing and the difficulty in finding jobs in the current economy have combined to change the meaning of gainful employment from getting a job to getting a job that pays well enough for borrowers to repay their student loans. This should apply to students attending all types of postsecondary institutions, public, private, for-profit, and not-for-profit. Minnesota provides information on hourly earnings by occupation in its iseek.org website. We are, again, providing you with
an example in the attachment of the information on the earnings of police patrol officers and their outlook for employment. It gives an example of the kind of consumer information that can help students.

The Minnesota Office of Higher Education is also one of the partner agencies in Minnesota's Statewide Longitudinal Educational Data System, affectionately known as SLEDS. The system tracks students from preschool to K-12 and postsecondary education into the workforce. The data system was developed with federal stimulus funds and our legislature recently enacted an appropriation to continue it with state funds. The data include information on public, not-for-profit, and for-profit institutions for all levels of postsecondary education from one-year certificates to graduate degrees.

The SLEDS data system provides information on employment and earnings that can be tracked back to the students' type of
postsecondary institution, major field of study, and the industry in which they work after leaving postsecondary education. While information on earnings is helpful to students, it is important to balance the demand for data on employment outcomes by institution with the burden of providing the data.

The gainful employment the U.S. Department of Education collected and published in summer 2012 was time consuming and expensive for institutions to provide. Policymakers want postsecondary institutions to minimize administrative expenses but, at the same time, they demand more and more outcome data, which increases those expenses.

If an institution is to be evaluated according to the workforce outcomes of its former students, which is an important thing to evaluate them on, policymakers need to remember that institutions do not control a number of factors that affect employment.
For example, institutions do not control the unemployment rate and the number of companies hiring in their region for any given graduating class. They also do not control student circumstances, such as injury, job loss, sickness, divorce, and whether a student has dependent children. Many of these factors contribute to a lower likelihood of completing a postsecondary degree or certificate. In addition, demands such as supporting a family and paying medical bills can make it hard for borrowers to repay student loans and, thus, affect an institution's repayment ratio.

Another factor that is not in control of the postsecondary institutions is the federal borrowing limit. The federal government increased borrowing limits for undergraduates in 2008, resulting in substantial increases in federal borrowing. If institutions are to encourage responsible borrowing, they should be given flexibility
in limiting how much a student can borrow based on their knowledge of what their students are likely to earn.

And now turning to the PLUS Loan program. The definition of adverse credit needs to be evaluated in the context of the PLUS Loan default rates. It is important to analyze the effects on defaults of any changes in the adverse credit definition.

The current credit standards used for the PLUS Loan are similar to those used by our Minnesota Student Education Loan Fund, known as the SELF program. The SELF program was described earlier a little bit by Moriah Miles and Shannon Glen from the Community College and State University Student Associations here in Minnesota.

Aspects of the credit criteria for our SELF program are less stringent than PLUS Loans and yet the SELF program has relatively low default rates. Gross SELF default rates over the lifetime of the loans
average five percent over a 20 year period. One of the key differences is that the SELF program permits people to borrow if they have paid off liens, judgments, and collection items. The filing of bankruptcy itself does not prohibit someone from being a cosigner on the SELF loan. If debts included in bankruptcy are subsequently paid off, rather than discharged, the person would be eligible as a cosigner. The SELF program cosigner credit requirements are also in the attachment.

The PLUS Loan borrowing limits may be a larger factor contributing to defaults. The PLUS Loan allows borrowing up to the cost of attendance without regard to the parents' income and capacity to repay the loan.

The Minnesota SELF Loan borrowing is limited to $10,000 annually for bachelor and degree-granting institutions and $7,500 annually for other institutions.
The same disclosure requirements should be applicable for PLUS Loans and non-federal student loans so parents and students can compare costs since, in many cases, state loans are less expensive than the PLUS Loan. For example, the SELF Loan variable interest rate is currently 3.3 percent and the fixed rate loan is 6.9 percent. And there are no fees. In comparison, the PLUS Loan has a fixed rate of 7.9 percent and up-front fees of four percent. The overall cost of repaying the PLUS Loan may not be apparent, since the three disclosures required to borrowers for state and private student loan lenders are not required for the PLUS Loan.

The preferred lender requirement adopted in 2008 severely restricts the ability of families to compare loan options. The result of the preferred lender requirement is that many schools cannot talk with families about lower cost alternatives, such as state loans. Even though the cost of
the PLUS loan may be greater than other state and private loan programs, postsecondary institutions are allowed to include plus loans in student's financial aid award packages with no restrictions. The shortcomings of the preferred lender law should be fixed. Minnesota, along with 15 other states is seeking changes to the law in order to permit postsecondary institutions to provide critical financing information about state loan programs to students and families.

Thank you for the opportunity to present testimony as you move ahead in the federal process.

MODERATOR KOLOTOS: Bill Norwood.

MR. NORWOOD: Thanks. Good morning. My name is Bill Norwood and I work for a company called Heartland Payment Systems. I am in their Campus Solutions group and I function as chief architect. My focus has been on, for many years, the higher education products such as the Campus
OneCard, Give Something Back Program for charities, and specifically our financial aid disbursement product called Acceluraid.

I am here today as a member of the Heartland team and we appreciate the opportunity you have given us to make this presentation. And we will also be submitting a written comment letter with the Department as well.

Before getting started, I would like to take a moment to introduce you to Heartland Payment Systems. It is probably a newcomer to many of you in the higher education market. It is a publicly traded corporation that opened its doors in 1997. We provide financial transactions for over 250,000 merchants. We deal with about 90 billion in transactions a year. Heartland is the fifth largest payment processor in the U.S. and ninth in the world.

This translates to stability, a company that will be around for the years to
come. And it is also a significant economic scale designed to save money on every transaction and that is why we can do what we do today with our Campus OneCard and other products and solutions.

Heartland is committed to transparency, fair dealings, and ethical business practices. We believe that fees and rates should be clearly disclosed so that students can make an informed decision when selecting their refund disbursement method. We feel that it is essential to know the fees you may pay with every transaction and with every account.

I have been with Heartland for the past seven years and prior I spent 35 years of my career working at Florida State University in Tallahassee. I developed a forerunner of the electronic transfer of financial aid during that period, something called the FSU card. It was a private label ATM campus card built in '93-'94 era around
the bank system which I had the pleasure of presenting to the Department of Education and asking for approval to use that product at that period in time for dispensing financial aid.

It seems only fair to be speaking to the Department again almost 20 years later referencing those justifications that I used back then for developing the FSU Card program 20 years ago and the justifications today are almost identical to what they were 20 years ago.

These justifications usually have five basic tenets. Make it simple and easier for students to receive their aid, loans, grants, scholarships or any other types of refunds by giving them choice or selectivity either ACH check, prepaid card, and today we don't know what is coming next but we will wait and see what that is.

Give students access to their funds faster while complying with all of the
associated regulations. And that has become a bigger and bigger deal.

Eliminate the cost students typically pay when using check-cashing companies; and you do that by eliminating checks. Reduce checks, eliminating all the associated work which, on average according to various studies, costs a campus, on average today, $5 each. So if you want to know why campuses need to get rid of checks or want to get rid of checks, understand the work that goes on with those.

And also, the other beauty of getting rid of checks is you eliminate the lost and stolen check issues. And if none of you have ever had the pleasure of working in a bursar or cashier's office dealing with those items, you will quickly understand why that is a bad deal.

Twenty years ago, in order to use a card for financial aid, that card had to be tied to a brick and mortar bank to have
access to account information. Today, technology has moved past the brick and mortar requirements, giving students access to transactional and balance information while walking down the street.

Look at the world students live in today: Always in touch, communicating constantly, using smartphones, the web, tablets, mobile banking, text messaging and other forms of social media. It is their life every day.

While this change is taking place, the Department of Education is setting up guidelines to make sure that federal funds are used as appropriate. Campuses are following their guidelines. Students are enrolled and attending class and graduate.

The U.S. PIRG Education Fund Report titled "The Campus Debit Card Trap: Are Bank Partnerships Fair to Students?" in May 2012 raised a lot of questions and does a good job of covering the basic operational
aspects for reviewing a campus debit card program and understanding what it is.

Regarding bank partnerships being fair to students, campuses endorse many things by simply allowing them to be on campus. This includes food service, operations, computer, bookstore, and much more which a campus has typically contracted out and they are endorsing them in the same way as they are endorsing a branch bank on campus, a campus card program, or financial aid disbursement solution should also be endorsed by the campus as well.

Look at what other government agencies committed to removing paper checks, such as the IRS, Social Security, and other benefit programs have accomplished. They are now using prepaid debit cards as an option to replace all those checks, save the government a lot of time and money, and deliver funds faster to the individuals. And guess what? The prepaid debit cards used in these
programs have fees, reasonable fees paid by the individuals that are acceptable to the administration. The key words in here were prepaid and acceptable.

Quick summary. Campuses today basically follow one of four models and I will run through those quickly for you when handling financial aid disbursement and other campus refunds.

Number one, campuses continue to do what they have been doing for years, issuing and mailing checks, handling return mail and non-negotiated items, dealing with lost/stolen checks, supporting ACH to personal bank accounts, collecting and maintaining personal bank information on students.

Number two, company contracts with the campus to handle their refund disbursements where students can request a check or transfer funds via ACH to their personal bank account with all costs for the
service being paid by the campus. The ACH process requires students to submit their personal financial account information, which creates problems for the non-bank. The ACH process typically has a one to two day delay before funds are available.

Number three, campus partners with a brick and mortar or internet bank, giving students a branded debit card based on a demand deposit account or something that is referred to as a DDA. The bank typically has fees associated with the DDA, offers checking accounts and other services as well. Funds are ACH to the bank, typically, again, creating a one to two day delay before students have access to those funds. Students also have to provide PII information, which creates issues for the non-bank as well.

Number four, campus contracts for a branded prepaid card that is simply designed to be a disbursement refund card.
only and nothing more. It is not based on a demand deposit account, not linked to or will be linked to a checking or savings account, has few and low fees, including no monthly fee, no ACH fee, no POS fee, no cash back fee, no transactional fee, no, no, no, no. So basically, the fees that it does have associated with it are associated are related to use of an ATM out of networks.

Funds are typically available within minutes to students from receipt of funding from the campus.

The U.S. PIRG Report stated that prepaid cards offered little or no consumer protection, which is also not true in this case. Heartland’s Discover-branded prepaid card has FDIC insurance, zero liability from fraud, no PII requirements, no reporting to credit agencies, and no overdrafts.

The program further helps students manage their finances by giving them access to view transaction history, receipt
notification, real-time with deposits and transactions, plus used a geographical spend analyzer tool to see where they spent their money. And our knowledge as far as fees are concerned with this particular program, it has the lowest fee structure of anyone compared.

This program also includes live customer support 24/7, seven days a week, 365 days a year.

Considering the benefits shown above when using a branded prepaid card, it is easy to understand why many college students find a branded prepaid card to be an attractive alternative to the traditional checking account. A recent survey of campuses using this program showed that 92 percent are likely to recommend using this Discover-branded prepaid card to a friend, as opposed to receiving a check from the college. Ninety percent, when calling our customer service at Heartland rated their
wait time for a representative as very short or short. Ninety-four percent said the customer service center representative fully or mostly resolved their issue. Eighty-one percent said the customer service representative was very knowledgeable.

And another example of the service provided to students at a large school through our call center handled 11,300 calls in January alone, handled another 9,600 in February, and the number goes up and down, depending on disbursement of funds. All of those calls are calls that would have gone to a campus but, instead, came into the call center to be handled and managed.

Under negotiated rulemaking, it should be apparent, going through the information above, that many of the issues raised in negotiated rulemaking don't apply to all of these programs. It is apparent that branded prepaid cards are as defined in the program above are not opening financial
accounts, not collecting PII information on students, not used to sell any other bank services at any time, not passed to third parties, and are as protected and secure as a personal bank account.

MS. MICELI: Sir, your time is almost up, if you could just wrap up.

MR. NORWOOD: How long?

MS. MICELI: I think we are out of time.

MR. NORWOOD: I'm done? Out of time? Okay.

MS. MICELI: But you can go ahead and wrap up.

MR. NORWOOD: Okay, all right.

The regulations propagated by the Department of Education for the express purpose for Title IV funds do not address the changes that have occurred in this technology in the past five years, as it relates to branded cards. Rules should allow these cards to act the same as a check. If never
accepted by the student, then they should be
considered the same as a non-negotiated
check. And the worst rule in the world is if
you can't get in touch with a student, you
don't know their address, they don't
communicate with you, just drop a check in
the mail. And that is the process we deal
with today and schools have to live with
that. Thank you.

MS. MICELI: Thank you.

MODERATOR KOLOTOS: Thank you and
I have to say that I do remember those
conversations 20 years ago with Florida State
University.

MS. MICELI: I do not.

(Laughter.)

MODERATOR KOLOTOS: Jeanne
Herrmann.

MS. HERRMANN: Good morning. My
name is Jeanne Herrmann and I am the Chief
Operating Officer for Globe University of
Minnesota School of Business. Thank you for
the opportunity to offer comments relative to
the Department's planned negotiated
rulemaking.

Globe MSB is a veteran of the
career college community. Minnesota School
of Business was founded in 1877 and Globe
College started in 1885 in downtown St. Paul.
Today, these two institutions are part of a
family-owned educational business led by the
Myhre family with 12 campuses in Minnesota,
seven in Wisconsin, and one in South Dakota,
and currently serve over 8,000 students.

As we have grown, we have
maintained our fundamental mission of
providing student-centered and career focused
education. Our national accreditation
accountability reports review the outcomes of
our interaction of students and challenge us
to continue improvement while requiring our
institutions to meet benchmarks.

To ensure our students are
acquiring essential knowledge, skills, and
abilities to be successful in their chosen career fields, every program has learning outcomes specific to the career path. The learning outcomes are assessed in courses throughout the program, using a variety of assessment tools.

As part of our campus focus, we have steadily increased our involvement in our local communities. Most of our graduates find employment in the communities surrounding the campus. It is an essential part of our commitment to our students to help them build those relationships in the community that will ultimately support their search for employment. We have close, established relationships with employers to help design our curriculum and to make sure that it is current.

Our Program Advisory Committees, PACs ensure that our curriculum meet employer industry standards and needs. Each campus maintains a PAC with appropriate membership.
for every program offered at that campus. Currently, 1,428 employers or practitioners serve as active members of our PACs.

Through applied learning, our students become engaged, ethical, and responsible citizens of their communities. Students apply their learning to real world situations which benefit them and our community partners, including employers, the government and non-profit organizations. In 2012, our students partnered with industry, to complete nearly 2,200 projects to meet applied learning course requirements.

Globe University/Minnesota School of Business support the Department's effort to ensure the integrity of the federal student aid programs by strengthening the accountability of participating institutions.

The Department of Education also has, as a primary responsibility, to ensure access and choice for students. Increasing access to postsecondary education is one of
the Administration's key goals. Our comments urge the Department to consider how its regulatory proposals may work against these goals by imposing complex, burdensome, or confusing new requirements on the institutions.

We echo the Association of Private Sector Colleges and Universities in encouraging the Department to postpone convening new negotiated rulemaking sessions, particularly for controversial topics in areas likely to be impacted by reauthorization. It is our hope that the Department and the Congress will work out complimentary schedules for both reauthorization and the regulations to implement the Higher Education Act.

Having said that, I would like to offer comments for the Department's consideration on gainful employment, state authorization and the Department's negotiated rulemaking process.
With respect to gainful employment, I will focus on three main points. First, private sector colleges and universities are committed to providing a quality education, just as their counterparts in traditional education, and to observing both the letter and the spirit of the myriad of laws that govern them. Globe is one, among many private sector colleges and universities that bring great value to students, employers and communities. Accordingly, any reconstituted gainful employment regulation should be applied uniformly across all sectors of higher ed.

Secondly, we support the President's objective of regaining the nation's premiere rank in proportion of citizens with at least one year of postsecondary education by 20/20. Adding a gainful employment metric as a condition of Title IV eligibility will actually work against this objective by restricting choice
and access.

Moreover, if such a metric is intended to solve the problems of student debt load, quality of programs or directing students to programs that will prepare them for highest demand occupations, it fails in being the best route to all three of these objectives.

If the goal is controlling student loan indebtedness, a better approach would be to permit institutions to limit the amount of loan funds a student may borrow to that which is needed to pay for the student's educational charges, such as tuition fees.

We urge the Department to seek and support legislative solutions that would permit these new approaches, instead of reconstituting gainful employment metrics that were part of the 2011 final rule.

We also urge the Department to be mindful of unintended consequences of precluding students like Globe students who
are working parents, young adults, military personnel, veterans, career changes, and other non-traditional students, those who need training the most from receiving the education they want and need. Why would the Department pursue metrics with such a significant impact on student choice at a time when the gap in the economic well-being between rich and poor is increasing and education is that one path to bridge that gap?

Third, the Department should engage the higher education community in more common sense solutions for holding institutions accountable for positive outcomes. If, for example, the objective is consumer protection, transparency through enhanced disclosure of key relevant information to consumers as required already in current regulation is far more effective in assisting students in choosing career focus programs than the application of
complex metric.

If student debt loads are the concern, the financial aid officer should be given the discretion to limit federally guaranteed loans borrowed when the amount borrowed exceeds educational costs, as it does all too often. If better tests for quality are concerned, achievement outcomes such as placement and graduation rates are better measures of value and quality of education for students than debt load or repayment rates.

Globe University and Minnesota School of Business are accredited by the Accrediting Council for Independent Colleges and Schools, ACICS, a national accrediting body recognized by both the Department and the Council for Higher Education Accreditation. Schools accredited by ACICS are required to meet and maintain high standards for faculty qualifications, student retention, and student placement. The
required ACICS reports also include audited annual financial statements to verify that adequate fiscal resources back our programs and student support services. In addition, many of our programs are programmatically accredited by specialized accrediting bodies, such as the Commission on Collegiate Nursing Education or CCNE.

In addition to accrediting body oversight, our schools are subject to a variety of other Title IV regulations, including required minimum cohort default rates as well as state oversight. We take compliance with a federal state accrediting body triad of regulation very seriously and compliance best practices are a part of our culture at Globe.

We support reasonable fact-based regulation focused on improving outcomes for students. We believe that there are steps that can be taken to protect and inform consumers and taxpayers. For instance,
educational outcomes, retention, and placement that are direct measures of quality are already in regulation and benefit all of higher education where they are implemented widely.

In respect to state authorization, Globe University/Minnesota School of Business appreciates the Department's interest in ensuring the postsecondary institutions that are participating in federal student aid programs operate with integrity and meet their obligations to the programs and to students. We have supported the spirit of the Department's goal in proposing regulations to require state authorization to ensure the monitoring enforcement mechanism of state statutes, rules, and regulations, and protection of students and consumers. That said, we remain concerned that the regulations on state authorization, as they are currently written intrude on state law.
alter traditional relationships among the triad partners, and actually work against the Department's data goal of increasing access to higher education, especially for adult learners and traditionally underserved student populations.

Accordingly, we believe the Department should rescind the regulation or limit its scope to institutions with physical presence within the state, as defined in state statute or regulation. The states are in the best position to understand what is needed to protect students, without additional layers of burdensome regulations. The regulations disrupt what have been strong, collegial and successful working partnerships.

It is our concern that students currently enrolled in legitimate, legally authorized institutions may be left in a no-man's land, if the state does not pass new required legislation. The consequences for
institution and students within states that do not comply with the state authorization regulations are extremely grave. We appreciate the Department's decision to delay the implementation of the regulation but believe that it is imperative that the Department issue guidance as to which states have been determined to be in compliance with the regulation up to this point.

Many states and organizations are considering the best ways to approach the state authorization issue. We have heard about them earlier today, including the voluntary system of state reciprocity being recommended by the Commission on the Regulation of Postsecondary Distance Education. More time is needed for this work to be completed.

We propose that the Department of Education and various other stakeholders engage in a dialogue with all states to develop appropriate legislation and
administrative rules that protect students and consumers while respecting the right of each state to protect its citizens as it sees fit.

And finally, if negotiated rulemaking progresses beyond the field hearings, we would strongly urge the Department to implement the recommendations from the Office of Inspector General Final Audit Report dated June 2012 and to improve the rulemaking process by creating more teams with a smaller, more manageable number of agenda items.

Globe University/Minnesota School of Business appreciates the opportunity to provide comments on the Department's proposed regulations.

MS. MICELI: Thank you.

MODERATOR KOLOTOS: We are going to take a short break at this time. We will reconvene at 10:40. Thank you.

(Whereupon, the foregoing hearing
went off the record at 10:27 a.m. and went
back on the record at 10:40 a.m.)

MODERATOR KOLOTOS: Caroline Palmer.

MS. MICELI: If everyone could just please take your seat, we are going to get started. Thank you.

MR. SILVER: Good morning. My name is Caroline Palmer and I am the staff attorney at the Minnesota Coalition Against Sexual Assault. Thank you for the opportunity to submit comments today. And I am just going to use my time to talk about the implementation of the new Violence Against Women Act requirements for campuses and this is otherwise known as VAWA.

MNCASA is a non-profit organization located in St. Paul and we represent over 70 sexual assault victim service programs statewide. Some of these organizations are located on college or university campuses or collaborate with local
campuses to prevent sexual violence and address sexual assault victim needs.

MNCASA also focuses activities in the areas of technical assistance, training, resource development, prevention, and public policy advocacy, as well as the promotion of the multidisciplinary Sexual Assault Response Team approach. This is sometimes known as a SART and this is administered through our Sexual Violence Justice Institute or SVJI.

In fact, MNCASA actually receives federal funding from the Office on Violence Against Women to provide technical assistance to SARTs across the country. Many of these SARTs are located on college campuses or include campuses in their protocol development and community response to sexual violence.

MNCASA currently advises directly 12 SARTs in Minnesota and all but two have at least one college campus in their service areas. One example of a recent success story
is in Ramsey County, where a SART has been actively engaged in ongoing training, in communications with the many public and private colleges and universities in the area.

The primary comments I am planning to provide today are based on some of our experiences supporting collaborations between SARTs and campuses, with a specific focus on the nexus between the campus process and the criminal justice response to sexual assault.

There is a tremendous need for communication between these two responsive functions but there are also many different tensions at play. These include different timeframes for investigations, different burdens of proof, different potential short and long-term outcomes for both the victim and the offender, and concerns about how the different investigative and adjudicatory processes could influence one another. With
members of the criminal justice system expressing particular concern because of a finding of no responsibility by a campus investigation could be used as a defense in a criminal prosecution.

Further, these two investigatory and adjudicative functions have different goals. The campus is determining whether there has been a violation of campus policy, while the criminal justice system is determining whether there has been a violation of the law.

And the punishments are also different. A finding of responsibility for a campus related sexual assault could lead to an expulsion at worst, while a criminal conviction can lead to jail or prison time, probation, potentially sex offender registration, and the collateral consequences on education, employment, housing, and other issues that accompany such an outcome.

SARTs report varying degrees of
success working with campuses. In some cases, there is a close collaboration in the development of protocol and sometimes there is an arms-length interaction or no interaction at all. It is unfortunate when the latter scenario occurs because the members of a SART are often the best resource of training and support for a college campus.

A SART has representatives from law enforcement, advocacy, prosecution, medical, social services, and other professional bodies. All of these professionals have the knowledge base to train campus personnel responsible for carrying out the new VAWA regulations that are also known as the Campus SAFE Act.

And these are all the local professionals campus officials need to be familiar with, in the event a sexual assault on campus becomes the subject of a criminal prosecution or requires medical attention including forensic exams, or even additional
confidential support from an independent advocacy program.

So what can be done to help each entity, the SART, and the campus see one another as an ally and not an enemy, or at least some sort of barrier. There is really no need for an adversarial relationship. Both entities are trying to get at offender accountability and justice for victims. Here is one idea.

Because annual training for anyone involved in the response procedure will be required under VAWA, the new VAWA campus regulations could promote collaboration with local SARTs if they exist in the campus jurisdiction, not only as a means of identifying possible trainers, but also as a way to further the skills of the campus officials tasked with investigating and adjudicating sexual assault allegations.

Annual training is certainly an important new requirement through VAWA but
ongoing conversation about the issue with the professionals in the community who are interested in promoting safety on campus and in the areas surrounding the campus where students live and work will only serve to enhance the abilities of the campus professionals to respond when the need arises.

Hopefully, the regulations can emphasize the significance of the SART approach to creating a coherent response protocol across disciplines as well as the ways they can benefit the campus. When appropriate, there could be a requirement of participation in a local SART, if one exists, or at least some level of communication as needed.

I would also like to mention briefly three other areas of consideration. First, it is my understanding that campuses will be required under the new VAWA regulations to create policy statements about
victim rights and institutional responsibilities around protective orders issues by criminal, civil, or tribal courts. It has been the experience of some of our local advocates that sometimes judges are reluctant to issue order that would keep a student identified as a perpetrator out of campus housing or out of a class. But at the same time, the campus investigative process has up to 60 days and some level of protection may be needed in the meantime. Sometimes judges see these matters as something the schools just need to resolve.

The regulations should urge campuses to coordinate with the courts and legal services providers in their jurisdictions to ensure that there is an understanding of how and when protective orders are issued. A campus has no legal authority and can levy no consequences for violations beyond expulsion. So, the adherence to protective orders is really
important and these are necessary safety mechanisms that must be provided to students who need them.

Again, SARTs can be helpful in facilitating these local conversations and can address these issues and protocols so the regulations could further promote this type of collaboration.

Next, I would like to address the issue of confidentiality. A student cannot always be assured of confidentiality when he or she reports a sexual assault to someone who represents the university. Therefore, it is important that students are aware of local off-campus resources where confidential resources are available. A campus that does not have the appropriate level of specialized counseling for student victims of sexual assault should create a partnership with a local advocacy services provider, so that service is available. In short, a college or university has an obligation to ensure that
some level of professional help is available either on the campus or within a short distance or by at least a 24-hour crisis line and those services should be confidential.

And finally, please consider the role of the state sexual assault coalition in helping campuses to meet their goals. MNCASA would like to suggest a program that supports opportunities for state coalitions to bring together campus representatives, to learn about best practices and network with one another perhaps on an annual or a biannual basis.

So thank you very much for your attention and I am happy to answer any questions. MNCASA is certainly happy to serve as a resource. Thank you.

MODERATOR KOLOTOS: A. Kate Bothun.

MS. BOTHUN: Good afternoon. My name is A. Kate Bothun and I briefly wanted to take a moment to mention why I decided to
present comments today.

I recently graduated from law school and during my time as a law student, I spent my time focusing on social justice issues, particularly that of the impact of sexual violence on women. Therefore, my comments today will focus solely on issues that the Department of Education should consider when approaching regulations for Section 485(f) of the Higher Education Act that was just recently amended by VAWA.

In doing so, the regulations should directly address two issues, the training or college and university officials when conducting institutional proceedings and also the written explanation of a victim's rights and options.

Beginning with training for college and university officials under subparagraph B of Section 304(a)(8) of VAWA, officials who conduct these institutional proceedings must receive annual training on
domestic violence, stalking, sexual assault, and also dating violence on how to not only conduct the process but to do so in a manner that protects the victim.

So in consideration of the regulations, the consideration should be what should qualify as adequate training on these issues. For instance, the regulations could articulate minimum criteria to be including the training. The rationale behind doing so is that the content of the training received will significantly impact not only how officials respond to a report of domestic violence, dating violence, sexual assault or stalking, but also helps to ensure the victim's safety in the investigation and hearing process.

Next, a written explanation of a victim's rights and options is required under Section 304(a)(8)(C). Essentially, the written explanation summarizes information that must be included in an institutions
policies and procedures on sexual violence. So this includes items such as procedures the victims would have to follow in making a report as well as sanctions or protection measures that an institution may impose.

The regulations should approach the written explanation of a victim's rights and options by requiring the written explanation to occur within a certain time frame. For instance, once an incident of sexual assault is reported, the regulations could require that the college or university provide the victim with that written explanation of her rights and options within a five to seven day time period. The time frame will benefit both the victim and the institution because the written explanation provides the victim with a comprehensive overview of the rights and the processes that they must follow, which are articulated in the institution's policies and procedures.

Also, a time frame on the written
explanation ensures the victim receives a timely response. Reporting an incidence of sexual violence can be extremely difficult and unpleasant for a college-aged individual. Also, it ensures that a victim is aware of how to proceed, the possible sanction and protective measures available, the makeup of the institutional proceeding, available advocacy, counseling, and legal services and change in academics and living situations that would be available to them.

In summary, the regulations should in addressing 485(f), seek to address minimum criteria to be included in the training of officials that conduct institutional proceedings on campuses and require college and university once a report is made to provide the victim with a written explanation of her rights and options within five to seven days.

Thank you for your time and consideration.
MODERATOR KOLOTOS: David Schejbal and I apologize for the pronunciation now.

MR. SCHEJBAL: Thank you. My name is David Schejbal and I am Dean of Continuing Education Outreach and E-Learning in the University of Wisconsin Extension. I am here to speak about competency-based or direct assessment to higher education programs. And several of the criteria for awarding Title IV aid that have recently emerged in the March 19 Department of Education Dear Colleague letter.

As brief context, the University of Wisconsin has a system of institutions that includes 26 campuses and statewide extension service. My office works with all University of Wisconsin campuses to help increase the percentage of degree holders among adult and non-traditional students. To facilitate that process, we have concentrated on developing new online degrees in areas
that dovetail directly with significant job
growth sectors such as healthcare,
sustainability, and information technology.

As open courseware and massively
open online courses or MOOCs became popular
over the past two years, we began to think
strategically about how to utilize these
resources to provide more opportunities for
students to access higher education while we
work to lower the cost of higher education
delivery.

In that deliberation process, we
noted several key issues. One, quality
assurance happens at the level of assessment.
It is only by assessing student learning
abilities and knowledge that we have evidence
of learning.

Two, content and evaluation
expertise is critical in determining
knowledge and faculty have historically
provided both services.

Three, we are increasingly able
to replicate or replace traditional classroom teaching with technological solutions.

Four, discipline competency and mastery in highly applied ways is critical for students to be able to secure good jobs.

And five, engaging employers in the identification and development of disciplinary competency standards is extremely important for ensuring that what a student knows and is able to do translates to meaningful and valuable job skills.

Given these considerations, we decided to develop a competency-based or direct assessment approach to higher education. To date, the University of Wisconsin system is the only system of higher ed in the country to develop direct assessment programs. Our direct assessment initiative is not intended to replace traditional modes of higher education. Instead, it is intended to grow the pie, to increase the number of access points to the
University of Wisconsin so that more students from more diverse backgrounds can take full advantage of the education resources that the University offers.

A competency-based or direct assessment approach is a significant departure from traditional higher education programs. It places focus on assessment and student mastery of disciplinary areas and it allows students to learn whenever and wherever they are best able to do so.

By allowing students to learn in places other than traditional online or face-to-face classrooms, students can significantly reduce the cost of their education. Students can use open courseware to learn. They can learn on the job, in the military, and in an array of other settings. They can then demonstrate their mastery through structured assessments. And if they are well prepared, they can proceed through the assessment process more quickly than
through traditional programs. This then translates to students saving money in direct and indirect costs of education as well as in significant time savings.

Direct assessment or competency programs also differ from traditional programs in that completion or progress isn't measured in seat time or credit hours. It is measured in the demonstration of subject mastery. In recognition of this, the Carnegie Foundation, which established the Carnegie unit or credit hour as a measure of student progress is currently reviewing whether the credit hour is still an appropriate measure of student progress in knowledge acquisition.

In light of all of these developments and changes, the federal Department of Education recognized the importance and value of competency approaches to higher education. And in March, the Department released a "Dear Colleague" letter
to help universities and accreditors understand how federal financial aid may be awarded for programs that are based on direct assessments and not on classroom seat time or credit hours.

The "Dear Colleague" letter is a very useful first step in helping to establish some national standards for competency-based programs. There are, however, several issues in the "Dear Colleague" letter that are problematic and I want to highlight those today and request that they be addressed and changed.

First, the Department stipulates that in order for a program to qualify for federal aid, the entire program must be either direct assessment based or credit hour based. Quoting from the letter, "Programs that are offered partially with credit or clock hours and partially via direct assessment are not eligible programs."

It is unclear why this
requirement is in place and it conflicts what is likely to be best practices for how students learn. Many students in direct assessment programs will need to take some traditional courses to build their knowledge. Those traditional courses, at least for the foreseeable future, will be credit-based. There seems to be no clear reason why students can't move between credit-based courses and direct assessments, just as students often take classes for more than one campus or enrolling classes, some of which are offered online and some of which are offered face-to-face.

In Wisconsin, for example, most of our campuses offer classes in various formats and our students take them online, face-to-face, or via mobile technologies. In addition, we have students who take advantage of large university system and enroll in classes offered by two or more campuses. In those cases, federal regulations allow aid to
be awarded and provide clear guidelines for how to do that. The same should be the case for students enrolled in direct assessment programs who want to take some credit classes and vice versa. The objective in all of these situations must be student learning and student success and federal regulations should help facilitate that.

Second, the "Dear Colleague" letter requires that direct assessment programs be directly tied to seat time and credit hours. Quoting again from the letter, "An institution must explain the method for reasonably equating the direct assessment program to credit or clock hours and related parameters of the program, including minimum weeks of instruction time." This requirement directly conflicts with how direct assessment programs are supposed to work. By design, direct assessment programs do not focus on instruction or the amount of time students spend learning. The value of direct
assessment programs is that they allow students to take full advantage of learning opportunities whenever and wherever they find them. Once students have learned a subject, process, skill, or a topic, direct assessment tests their mastery. When students do not successfully demonstrate mastery in an area, then they are directed to other learning opportunities to help them achieve mastery and then they are assessed again.

Hence, seat time or classroom time is not the program focus and requiring that direct assessment programs be equated to seat time and instruction-based programs misses the point and the value of direct assessments.

I encourage the negotiated rulemaking committee and the Department of Education to recognize the inherent separateness of learning, on the one hand, and demonstration of mastery on the other, and to explore ways in which aid can be
awarded for both kinds of programs, independently of one another. Finally, and for reasons of practicality, I suggest that instead of having the Department of Education review and approve direct assessment programs, the crediting agencies should be charged with that responsibility, just as they currently review all credit-based programs.

The relationship between colleges and universities and their accrediting agencies are generally positive and formal approval processes work reasonably well. Direct assessment programs, although new, are not inherently disrupted to that relationship, so the standard accreditation process should be used to approve competency-based programs.

Thank you very much for the opportunity to speak here.

MODERATOR KOLOTOS: Laura Pollastrini.
MS. POLLASTRINI: Thank you for the opportunity today. My name is Laura Pollastrini and I represent Northwestern College of Illinois in Chicago, a family-owned institution of higher learning that has been in the Schumacher family since 1958. During this academic year, Northwestern College is celebrating its 110th anniversary as a family-owned institution. With just three campuses, Northwestern College continues to serve a population of students that are not served by public universities, community colleges, and non-profit institutions of higher education. For 110 years now, we have been providing our students with an opportunity to obtain a college degree and, ultimately, to have a better life.

As the U.S. Department of Education ventures to begin yet another round of negotiated rulemaking sessions, we strongly request to consider suspending the
rulemaking sessions and, instead, worked jointly with the U.S. Congress to address program integrity and other issues as part of the reauthorization of the Higher Education Act.

The Department's last attempt at negotiated rulemaking included gainful employment and the state authorization regulations, which resulted in over 90,000 comments filed by interested parties, heated debate on multiple occasions by the U.S. Congress and protracted litigation via several legal challenges. At a time when the charges to reduce college costs and student debt, instituting even more regulations might very likely result in the opposite effect; increases in college costs to meet additional federal compliance tax, and ultimately increasing the very tuition costs that it is aiming to reduce.

The Department is moving to continue a regulatory agenda that has been
overturned by the federal courts, specially the gainful employment and state authorization regs. In a bipartisan effort, members of the U.S. House disagreed with the gainful employment regulation and via its two-thirds majority vote, overwhelmingly evidenced their desire to prohibit the Department from implementing, administering, or enforcing the provision. The same was had for the state authorization regulation with a similar vote resulting.

Now, if the Department does pursue rulemaking, Northwestern College would urge concentration of its efforts on one to two topics, rather than the six to eight topics explicitly named; quality over quantity.

Here, I would like to touch upon some of the rules that the Department has proposed at this time. First, cash management. We believe the process currently in place and the time limits allotted to
comply are sufficient to meet the needs of
the students and the institution while
safeguarding the funds themselves. Smaller
and larger institutions operate in very
different fashions. Northwestern College
finds that the current allotment of days to
disburse funds in Title IV student aid funds
to students should not be reduced. Checks
and balances must be met with in an
institution in order to ensure the integrity
of the process and protect against fraud.
Reducing the time period to comply, we feel
would compromise this.

In addition, and maybe our school
is archaic, but we oppose the debit card
distribution of excess loan funds on our
campuses as a mandatory regulation. First
and foremost, we believe that the printing of
an actual check double and triple checked by
our controller's office and the requirement
of in-person pickup of the funds which we do
following the presentation of a school ID
affords Northwestern College the opportunity
to prevent fraud and to ensure proper
distribution. It further allows our business
office the opportunity to better counsel our
students on minimizing future debt through
encouragement of application of those funds
towards future tuition and educational needs
instead.

With all the talk today of debit
card fees that were testified to earlier, it
reinforces the fact that I think Northwestern
College's method, the checks that we actually
cut for our students have the best effect and
we also have zero fees, which would be in the
best interests of our students, from what we
have heard testified to today.

Second, state authorization.
This issue has been raised in previous rules,
although it has never been thoroughly honed
to allow for compliance. To say that the
current state authorization rules are
ambiguous and utterly confusing is a gross
understatement. Multiple requests have been made to the Department for clarity and concise direction so that institutions like Northwestern College can comply but with no response. Instead, deadlines for compliance continue to be kicked down the road only to come up again a year later with no better idea of what we need to do to comply.

While awaiting clarification, though, the courts and Congress have weighed in and overturned state authorization for distance education. Some states do not yet have systems in place for state authorization of brick and mortar schools within its boundaries. Thus, their efforts to further comply with state authorization of distance education without any clarification from the Department is an even bigger struggle. Reciprocity agreements between states should also come into play.

If an institution is recognized in the state where they maintain a brick and
mortar campus and they are meeting that state's regulatory requirements, there should be reciprocity in states where the same institution operates via distance education programs. However, in order to work, that home state would be responsible for maintaining regulations to ensure institutional integrity, institutional quality, consumer protection, and institutional financial responsibility. But before we can pursue this innovative approach, we need to know which of the 50 states are currently in compliance for smaller institutions like Northwestern College have a staff of one to determine this on our own for all 50 states.

Title IV eligibility is at stake. We need the Department to provide guidance on its previous rules on state authorization before it moves on to even further promulgation.

Third, clock to credit hour
conversion. The Department issued its final rules on the definition of a credit hour that was effective July 1, 2011. And in these two years, there has been nothing but confusion.

The Department is on the right track. Times are changing and the clock to credit hour system is antiquated. Allow higher education institutions working with state regulatory agencies and accrediting commissions to be innovative to the needs of today's traditional student. Outcome or competency-based conversions need to be considered, for today's student is a far cry from the traditional student of even just the last decade.

If we want additional access to a college education, we need to adapt to the student of today and stop putting up roadblocks via regulations.

Finally, gainful employment. While the courts have struck down the Department's rules on gainful employment, the
litigation is still ongoing, although yesterday it was announced that the Department is not appealing. We maintain the belief that the Department has exceeded its statutory authority by attempting to define this term when the U.S. Congress has, on multiple occasions, chosen not to define it. Further, we believe the Department exceeds its authority by attempting to create eligibility rules that again only the Congress has the power to create.

In brief, we believe debt to earning ratios as a means to evaluate the success of a program, while a seemingly balanced procedure is far from it and that it is unjust to find that if a single program is out of compliance with the complicated metric, that an entire institution should be placed on a provisional certification.

Further, the debt are required to ensure that an institution is in compliance with the metric is primarily held by Social
Security, and educational institutions are not privy to that data for it is confidential. Thus, we have no way to challenge the Department's determinations that a program or an institution is out of compliance which does violate our right to due process.

Now I would like to speak to additional regulations just generally. Regulatory change should not be taken lightly but only implemented when truly necessary. For college like Northwestern, it comes at a cost to us in time and in money. In order to comply, we must change systems, invest in equipment, retrain staff, and develop policies and procedures to ensure the institution's compliance. That means higher costs to colleges and costs that will eventually have to be passed on to students via higher tuition. If the Department's goal is to increase access and affordability and reduce student debt, additional regulations...
are not always the answer.

Finally, I respectfully ask the
Department to reassess its opinion of the
traditional college student; whereas, for the
last century, the traditional college student
was 18 to 22 years old, coming right out of
high school, that is no longer the case. The
nontraditional student is now America's
really traditional student: Older adults
balancing jobs and families and attending
college part-time in order to meet financial
and family obligations. Consequently, it
takes longer for them to complete their
degrees, most likely because they are doing
it part-time. Many times, it is taking
doubly expected timeframes because of the
need to start and stop as many times as they
do. Thus, the first time full-time
parameters are incompatible in outcome
evaluations and need to be reevaluated.

Thank you for the opportunity to
prese...
Northwestern College has been providing students in the Chicago, Illinois area with a higher education and consequently greater opportunities for over 110 years. We would like to do so for another 110 years if the federal government would work with us and allow us. We respectfully ask the Department to reconsider its decision to promulgate the rules and, instead, work collaboratively with the Congress to properly and efficiently address the reauthorization of the Higher Education Act.

Thank you.

MODERATOR KOLOTOS: Jason Pleggenkuhle.

MR. PLEGGENKUHLE: Good morning. My name is Jason Pleggenkuhle and I am an Assistant Attorney General with the Minnesota Attorney General's Office. Thank you for the opportunity to testify about the upcoming negotiated rulemaking for Title IV Federal Student Aid programs.
Effective regulations are important to ensure that taxpayers invest in quality, affordable postsecondary education programs and also to make sure that these programs fulfill their ultimate purpose to adequately prepare students for employment in a career in today's competitive economy.

The Minnesota Attorney General's Office recommends that the negotiated rulemaking committee include two additional items in its rulemaking agenda. First, strengthen the job placement rate disclosure requirement for gainful employment programs, and second, add an additional gainful employment disclosure that adequately discloses to students the impact that national accreditation has upon the transferability of credits.

First, the committee should strengthen the job placement rate disclosure requirement. Students evaluate a postsecondary program by reviewing the
program's job placement rate. Accordingly, an institution's reported job placement rates must be accurate and comparable to other institutions. As you know, the technical review panel or TRP convened by National Center for Education Statistics or NCES to establish the calculation methodology for the job placement rate disclosure agreed that a common metric for calculating job placement rates was the most preferable methodology. However, the TRP was unable to provide definitive guidance and suggested that the Department further study 1) how to define key elements in a common metric to produce meaningful data; and 2) the availability and expansion of data sources to support a common metric.

It appears that no significant headway has been made since the TRP's June 20, 2011 report. Because the NCES has not established a common metric, the regulation's temporary calculation methodology has
controlled since July 1, 2011. Under this interim provision, an institution required by its accrediting agency or state to calculate job placement rates must use the accrediting agency's or state's methodology to calculate job placement rates for its gainful employment program disclosures.

An institution that is not required by its accreditor or state to calculate job placement rates is presently exempt from the job placement rate disclosure requirement.

Government investigations have found some for-profit schools manipulate, misrepresent, or falsify their job placement rates to mislead students and to meet standards required for Title IV funding. In some instances, for-profit schools inflate advertised job placement rates and the rates they report to accreditors or state regulatory bodies.

For example, according to one
pending government lawsuit, a Massachusetts based for-profit training center advertised and reported job placement rates between 70 and 100 percent. The school's actual job placement rates were 13 to 17 percent and a higher percentage were unemployed than were placed in an occupation in their field of study. The investigation exposed that the school had been counting job placement rates in any field, such as fast food and housekeeping, to inflate its rates.

In 2012, a for-profit college paid $4.5 million to settle a government lawsuit alleging similarly inflated job placement rates. In 2011, a parent corporation that reported 2010 job placement rates for 49 -- oh, I'm sorry.

In 2011, a parent corporation that owns about a dozen national for-profit school chains was forced to revise its reported 2010 job placement rates for 49 of its campuses, due to a government
investigation. These revisions caused over 30 of its campuses to fall out of compliance with its accreditor.

In 2010, a Texas for-profit training center was ordered to hire an accountant to verify its reported job placement rates, after allegations of misrepresentations. The audit found that 90 percent of the programs over-reported their job placement rates and that 63 percent of its programs had verified job placement rates that fell below its accreditor's minimum requirement of 60 percent.

It has been reported that some for-profit schools employ job placement rate manipulate tactics, which may include counting as placed graduates who are employed in fields that are unrelated to the occupations for which the program trained them or require no specialized training. Counting as placed graduates who work as little as a few days in the field, are self-
employed, are working in unpaid internships or do freelance work, and counting as placed graduates who had a job prior to entering the program and remain unemployed in that same position following their completion of the program.

For these reasons, the negotiated rulemaking committee should include strengthening the job placement rate disclosure requirement in its rulemaking agenda.

We suggest two potential actions the committee should take to strengthen the job placement disclosure requirement. First, require routine independent audits of disclosed job placement rates and second, adopt a common metric for the calculation of disclosed job placement rates.

The committee should require institutions to substantiate the reported job placement rates through the use of routine independent audits. For example, the
committee could require a job placement rate audit, similar to what is required for 300 to 600 clock hour programs. Under that rule, the Department requires institutions to substantiate their job placement rates by having a certified public accountant audit the job placement rate calculations.

The committee should require any such audit to require the certified public accountant to independently verify the accuracy of the institution's job placement rates, rather than rely on information the institution unilaterally provides. Auditors should also be on the lookout for the manipulation tactics used by some for-profit schools.

The committee should also adopt a common metric for calculating placement rates of gainful employment programs, so that students can accurately compare job placement rates. Currently, even if the job placement rates disclosed by institutions are correct,
it is difficult for students to accurately compare the race because each institution's disclosed rate is calculated differently.

As recognized by the TRP, placement rates reported to accreditation and state agencies are often not comparable. Because of this, the TRP concluded that calculating job placement rates using a common metric was the preferable approach but were recommended that the Department further research how to define key elements of a common metric.

Only with the implementation of a common metric will students be able to make an apples to apples comparison of the job placement rates of different programs. The negotiated rulemaking committee should include in its agenda consideration of how to define key elements such as placement, to adopt a common metric to calculate job placement rates for gainful employment programs.
Finally, the committee should include in its rulemaking agenda, the need to add an additional gainful employment disclosure that adequately discloses to students the impact that national accreditation has upon the transferability of credits.

As you know, there are two types of institutional accreditation; national accreditation, which typically accredits vocational and online for-profit schools, and regional accreditation, which generally accredits degree-granting, non-profit and public colleges and universities. Currently, 90 percent of the schools that are nationally accredited are for-profit schools and 96 percent of the schools that are regionally accredited are non-profit or public colleges and universities.

Regionally accredited schools rarely accept credits transferred from nationally accredited schools. A 2005
Government Accountability Office report found that 84 percent of institutions consider whether the sending institution is nationally or regionally accredited when determining whether to accept transfer credits and that many institutions' transfer policies specify that they only accept credits from a regionally accredited institution.

This leaves students of nationally accredited for-profit schools unable to transfer the credits they earn to places like a local community college. In some instances, the degree a student earns from a nationally accredited for-profit school will not even be recognized by a regionally accredited public university or community college.

At the time they enroll, most students are unaware of the differences between national and regional accreditation or the impact that national accreditation will have on the transferability of credits.
Indeed, when asked which type of accreditation is more widely accepted, students often intuitively choose national accreditation. As a result, students often do not learn that the credits they earn at a nationally accredited for-profit school will not transfer until long after they have enrolled or are attempting to leave. The student is then confronted with the choice of either transferring to a regionally accredited institution where the student will be forced to pay for and repeat coursework he or she has already completed, or receive some benefit for the money and time invested by finishing or building on the degree the student started at the nationally accredited for-profit school the student wishes to leave.

Further, nationally accredited for-profit schools often do not meaningfully inform students of the difficulty they will face when transferring credits to a
regionally accredited institution. Some for-profit schools even falsely inform students that their national accreditation is highly prestigious or that students will have no problems transferring the credits they earn to another institution. Students should be fully informed before they enroll in a nationally accredited for-profit school that the credits or degrees they earn there, will most likely not be transferable to a regionally accredited community college or public university.

We recommend that the negotiated rulemaking committee add an additional gainful employment disclosure to the disclosures found at 34 CFR Section 668.6(b) that adequately discloses to students the impact national accreditation has upon the transferability of credits to a regionally accredited institution.

Thank you again for the opportunity to be here.
MS. MICELI: Thank you.

MODERATOR KOLOTOS: Okay, at this time, we are going to adjourn until 1:30. Thank you very much.

(Whereupon, at 11:24 a.m., a lunch recess was taken.)
A-F-T-E-R-N-O-O-N  S-E-S-S-I-O-N

(1:30 p.m.)

MS. MICELI:  Okay, good afternoon, everyone. We are going to restart the hearing. I just wanted to reintroduce myself. I am Julie Miceli from the Department of Education's Counsel's Office. This is my colleague John Kolotos from the Office of Postsecondary Education. And we will start with --

MODERATOR KOLOTOS: Melissa Rubio.

MS. MICELI:  And folks, just to remind everyone, you have ten minutes allotted and if you get close to your time, we may politely interrupt, just to remind you that you are getting close and to wrap it up.

MS. RUBIO:  Good afternoon. My name is Melissa Rubio and I am a leader with DePaul Students for Justice at DePaul University and the IIRON Student Network. The IIRON Student Network is a network of
grassroots university social justice-based
organizations from across Chicago. The IIRON
Student Network is an affiliate of the
Community Organizing Network IIRON and
National People's Action.

The current student debt crisis
that is costing our country one trillion
dollars has created a fickle economy and job
market for the graduating students of today.
Many of us are being forced to put off major
milestones in our lives, such as purchasing
homes and starting families so that we can
begin to chip away at the mountains of
student loan debt through working low-paying
jobs that have nothing to do with the degrees
that we have studied and worked so hard to
attain. I am one of these students.

This year, I am graduating. I
have struggled through five years of work and
study to keep myself fed and housed and to
pay as much as possible out of pocket for my
education. Even so, I am graduating with
$47,000 in student loan debt. It will take me at least 20 years to pay off this debt, even with the new loan forgiveness plans in place. Not only am I graduating with this debt, but I also have no safety net to fall back on. Due to the housing crisis, my father lost his carpentry job in 2006, right after he lost his wife and my mother from hospital complications during her cancer treatments.

I worked, as my mother had, in restaurants, trying to keep our lights on and the banks from seizing our home. At 16, suffering from the loss of my mother, I had to feed myself and keep my family from falling apart. I was not successful. I often went hungry. My father now lives thousands of miles away with his mother, drinking away the pain and the loss.

As you can understand, I wanted to go college not just to better my own lot in life, but to help others who have suffered
from poverty and hunger and the loss of their families and homes. So I came to DePaul University to get a degree that is not often offered at other universities in peace, justice, and conflict resolution. I am doing the work that I love to do, the work that needs to be done. But the job opportunities in my field are few and the pay is low.

I went to college believing I would be able to do something good in the world and someday support a family. But the reality of student debt is that this is not possible, at least not for me. In order to pay off my loans by the time I am 40, I will have to forego having a family and buying a home.

I had access to college because I worked and I took out loans. But at what cost to my future? Since I began my education in 2008, my tuition has increased by more than $1,000 each year and has cost me nearly $6,000 extra.
I agreed to a tuition price when I entered. I had no idea that I would be roped in to paying so much more each year.

I was forced to contemplate the idea of dropping out the first semester of my freshman year in college because I could not afford the huge expenses. I asked the counselor, through tears, if there were any more funds that DePaul might provide for a struggling student like me. The counselor assured me that it would all be okay, that I could just take out more loans to cover the costs. This is not financial aid. This is creditors praying on the vulnerable. And this story is not uncommon. This happens to millions of students each year.

And just one month before my expected graduation ceremony, while my city and University are spending $125 million on a basketball stadium for our team, I am scrambling to find a job, any job that will allow me to pay my bills, feed myself, and
keep a home to live in. But it is not looking very good. I have been searching for months for jobs that I am both qualified and over qualified for and I am finding nothing. I am shopping in a community kitchen for my food and I will soon have to apply for federal food assistance.

These are the struggles my family and I dealt with my entire year -- my entire life and the struggles that made me yearn for a college education. When I entered college, my future looked bright but now I fear what is coming next and I dread my graduation date. I did not put myself through college for a future of struggle and poverty. This is not the future I invested in.

And these are the choices that students like me are faced with today. It is clear to me that my university, while benefitting from the federal student loans that I incurred through Title IV funding did not hold up its responsibility to keep
tuition affordable.

The Department of Education needs to create regulations that hold colleges and universities accountable for keeping tuition affordable and maintaining educational quality. Those colleges and universities that accept Title IV funding while letting tuition fees skyrocket should not be allowed to benefit from these programs while compromising students' futures by saddling them with debt. There are nearly 21 million of us students enrolled in institutions that participate in Title IV funding that would be impacted by these new rules that are about to be negotiated. We believe that students, the people most gravely impacted by this crisis must have adequate representation on the negotiated rulemaking committee, if we are to arrive at a solution that works for students' needs.

Because students make up 85 percent of the individuals at institutions
receiving Title IV funding, we believe it is only fair that representatives of student organizations should account for 75 percent of the negotiators selected to be on the negotiated rulemaking committee.

Policymakers often do good work but students like myself are the ones that understand what is struggling to pay for an education feels like. Because we are the ones suffering, we have the right to be a majority on the committee. Thank you.

MODERATOR KOLOTOS: Weili Zheng.

MR. ZHENG: Good afternoon. My name is Weili Zheng. I am a leader in the IIRON Student Network and Roots of Justice at the University of Illinois at Chicago. We are a grassroots power organization composed of students from universities all across Chicago and we are an affiliate of IIRON and National People's Action.

I also recently graduated from the University of Illinois at Chicago and
will begin at the University of Illinois, College of Medicine this fall. As a UIC student, I am proud to say that my university has a history of providing an affordable and quality education for those who could not otherwise attend a four-year institution. However, unfortunately, the university in recent years has completely abandoned this mission. In my three years as an undergraduate, I have seen the university display a callous disregard for students’ academic and financial well-being.

In my personal experience at the largest university in Chicago, one that is a leading research institution in the nation, I have seen classes, class sizes for science classes routinely border on 300 students. And I have seen undergraduate classes left with decades’ old and non-functioning equipment to use. As a result, students are not learning what they should be and it is reducing their college degrees to a long,
wasteful, and expensive accreditation process.

In my own organic chemistry class, one of the most difficult classes in my undergraduate program, I found myself as one of 182 students in my lecture. And while this may be hard to imagine, this was actually the smallest lecture for organic chemistry of that semester. In my three years as an undergraduate, I have never sat in a major class with less, with fewer than 20 students. In my genetics laboratory class, there weren't even enough seats, enough lab benches to seat all the students. I found myself often doing labs on a side counter away from everyone else standing. In my upper level cellular biology lab class, we found that we had to resort to having five people complete a lab meant for only two.

To put it in perspective -- we were so ill-equipped that to put it in perspective, my public high school had better
laboratory equipment than my classes at UIC had. I paid thousands in tuition to go to a college to attend classes that were less beneficial than the ones I took in high school.

According to IPEDS data, enrollment at UIC has increased by at least 13 percent since 2004. In addition, tuition and fees have approximately doubled in that time. Yet, there has been barely any increase in instructor hiring or improvements upon existing classroom facilities. Instead, we have had funds diverted to building unnecessary residence halls that cannot even adequately fill their own rooms, as well as a proliferation in top administration positions.

And how is this viable? Well, state appropriations have been declining but the University has compensated for this, with a generous pool of Title IV loan money from increasing both enrollment and tuition.
In a university where almost half of incoming freshmen are Pell Grant recipients, this imposes an additional and costly burden among students in terms of debt. Students at UIC cannot afford this. Moreover, the University of Illinois system currently holds over one billion dollars in unrestricted net assets.

When we attempted -- when Roots of Justice attempted to reach our chancellor about these concerns, she repeatedly refused to meet with us. We were told that the chancellor had no time to meet over the next few months. Later, we even found out that she had also asked our campus police for a report on our organization. To her, we were hostiles to the university when we were only trying to bring forth academic issues.

In our only meeting with another top administrator, our concerns were repeatedly dismissed and we were repeatedly condescended towards. In that moment, after
all the classes that I had been through, I
felt that to the university I was basically
just a number, rather than an actual person.

Educators that demonstrate this
level of hostility towards student concerns
should not be present on this negotiating
rulemaking committee. However, moreover, it
is clear that universities need to be held
accountable in how they use Title IV funding.
Schools that continue to exploit students for
federal loans and grants without providing an
adequate education, they undercut the
integrity of a college education and cannot
continue to receive Title IV funding. For
student interests to be adequately
represented, students need to be fairly
represented as negotiators on the rulemaking
committee. We demand that students comprise
75 percent of the negotiators in the
rulemaking committee and we assert that the
rulemaking committee needs to focus on non-
profit university spending and tuition
increases as well.

Thank you.

MODERATOR KOLOTOS: Mansi Kathuria.

MS. KATHURIA: Good afternoon.

My name is Mansi Kathuria and I am a recent graduate of the University of Illinois at Chicago. I am a leader in Roots of Justice at the University and the IIRON Student Network.

The IIRON Student Network is a network of grassroots, university-based social justice organizations all over Chicago and the IIRON Student Network is an affiliate of the community organizing network, IIRON and National People’s Action.

Although I recently graduated from the University of Illinois at Chicago, I always aspired to go to Northwestern as a high school student and yet, the day I got my acceptance in the mail, I decided that I wouldn't do it. Even a couple of years ago,
my four-year Northwestern education would have cost my family about $200,000, a burden that I could not put on them.

I chose, instead, to go to a public school. And just two weeks ago, I graduated with my bachelor's of science in neuroscience from UIC.

I have spent the past six weeks searching for and applying to multiple jobs many of which do not even require a college degree. And yet, I have not even gotten a single interview. This is after completing my degree in three years, graduating from the honors college, and spending hours volunteering, doing research, working, and being a member of multiple student organizations.

I currently work at a small coffee shop 15 hours a week for minimum wage. I work every Saturday and Sunday because these are the only hours that the shop is currently able to give me. I make under $400
a month at a job for which I am highly overqualified and yet, I am not alone in this. Fifty-three percent of college graduates currently hold positions for which they are overqualified.

I want to go to graduate school to expand my employment opportunities but I am worried that a master's degree will not only not land me a job but will also leave me with tens of thousands of dollars in debt. Currently in our country, student debt is more than one trillion dollars and is higher than the sum of all credit card debt. I am terrified that even after years of working hard to earn multiple degrees in higher education, I could be left off worse than I started.

As tuition continues to skyrocket around the country far faster than the rate of inflation, it only exacerbates the student debt. Meanwhile, the increased revenue from this high cost of tuition is going straight
into the pockets of universities and is not used to benefit the students and families bearing the burden of this cost.

At the University of Illinois at Chicago, tuition and fees have approximately doubled in the last nine years. And yet, class sizes have grown, the number of full-time instructors employed by the university has shrunk, and numerous programs have been cut. The cuts have forced some of my friends to transfer schools. Individuals who started the degree program and in the middle of their college education had this program cut from the university. I, myself, have been in overcrowded classrooms and labs where there aren't even enough chairs for all the registered students to sit. Even my upper level science classes are held in huge lecture halls with over 100 students and classes themselves aren't the only issue. Seeking, advising, and registering for classes is often a struggle in itself. I
have frequently been shuttled from Department to Department, forced to wait more than a week just to get a meeting with an advisor in my Department and this is not what I expected from an institution of higher education. I have continuously felt neglected by my university.

And despite this, administrator's salaries have increased dramatically over the years, with top administrators at UIC getting an average raise of more $6,000 in the last year alone.

Universities benefit directly from the availability of Title IV funding that allows a student to pay for school and often take on student debt. Regulations need to be developed so that universities cannot draw large sums of money from the federal government through Title IV funding without maintaining a commitment to keep tuition affordable and maintaining educational quality.
University administrators and other parties in the education industry have a clear, self-interest in not protecting the financial and educational well-being of students. Given this, it is crucial that students make up at least 75 percent of the negotiators selected to be on the negotiated rulemaking committee. We make up 85 percent of the population at institutions receiving Title IV funding and we deserve accurate representation on a committee whose decisions directly impact our lives and our future.

Thank you.

MODERATOR KOLOTOS: Kevin Shi.

MR. SHI: Hello. My name is Kevin Shi. I am a leader with Roots of Justice at the University of Illinois at Chicago and the IIRON Student Network, a web of grassroots, university-based social justice organizations from across Chicago. The IIRON Student Network is an affiliate of the community organizing network, IIRON, and
National People's Action.

This upcoming semester, I will be a third-year student undergraduate student with a lot of new found responsibilities. It has come time for me to make some real choices about where I want to go in life, what I want to do, and who I want to be.

Now since I was a child, I have always dreamt of becoming a physician. However, new thoughts of medical school and the massive amount of debt that awaits is a real frightening prospect. Yet, the financial obstacle posed by the exorbitant average graduate debt of $167,000 can at least be paid off with a physician's income.

Now what really, really makes me more worried is the growing cost of tuition at the undergraduate level. Tuition and fees at my state university have doubled -- almost doubled in the last nine years. Despite this dramatic rise in cost, I have only seen the quality of education decline. The laboratory
science classes that I have been required to take are stuffed with more students than there are seats. The faulty equipment puts the safety of myself and fellow students at risk. And despite this increase in tuition, the number of full-time instructors hasn't increased to accommodate the growing student enrollment.

We now have gigantic class sizes. Instructors are teaching too many students and too many classes to provide adequate one-on-one help. I would like to believe that I am still learning a great deal and getting well-prepared for medical school but such is just not the case. The University claims that there isn't money to pay for more instructors and better equipment, despite the fact that the University of Illinois system has accumulated more than one billion dollars in unrestricted net assets. There has been a greater percent increase in the number of full-time upper-level administrators than
there has instructors. And on top of that, average raises of more than $6,000 have been given to these top level administrators in just the last year alone.

Now when we, Roots of Justice, met with the vice Chancellor of Student Affairs, we were simply appalled by her blatantly unremorseful statement that it was a fact that some students would simply be unable to afford a higher education. When the vice Chancellor was suddenly pressed about her salary, she grew quiet and unwilling to comment.

It is not fair for my educational quality to suffer while tuition skyrockets and the university demonstrates the financial capability to do better for me and my fellow students. My university's mismanaged priorities describe a major reason why college tuition has become so expensive. Nationwide, student debt exceeds one trillion dollars. This increase has been driven by
unnecessary rises in the cost of tuition and fees.

It is unfair that my dreams of living a fulfilling life and providing for those that I love are being made more difficult when I have worked so hard and done my best to succeed. With this abuse of tuition, state, and federal dollars by my university and others, I believe that regulations that tie university eligibility for Title IV funding to institutional responsibility for maintaining a quality, affordable education should be enacted.

All colleges and universities should be held accountable by the Department of Education for keeping tuition affordable, while maintaining educational quality. And those that do not should no longer be eligible for Title IV funding.

Additionally, because students make up 85 percent of the constituents at institutions that currently accept Title IV
funding, it is only logical that students should be a majority of the voices represented on the negotiated rulemaking committee. Representatives of student organizations must make up at least three-fourths of the negotiated rulemaking committee if there are to be fulfilling futures for those seeking higher education.

Thank you.

MODERATOR KOLOTOS: Bing Li.

MS. LI: Good afternoon. My name is Bing Li. I am a former sergeant in the Army National Guard and an Iraq veteran. I am also a recent graduate of the University of Illinois at Chicago, a leader in Roots of Justice at the University and a leader in the IIRON Student Network.

The cost of my education is a burden that has changed my life in many ways. I graduated high school nearly seven years ago and only now am I finally graduating with a bachelor's degree. In high school, my
father's job situation was on and off. And my senior year I knew that if I wanted to pursue my dream of attending medical school, I would have to fight for it.

So in 2006, I chose to join the Army National Guard. Soon after I shipped off for basic training, I found that by far I was not alone in this decision. No matter where I was stationed during my six years of service, I found myself surrounded by many young people who could not afford to go to college without substantial assistance and we all thought that joining the military was the best option that we had. However, subsistence being provided for non-deployed soldiers was not enough to actually pay for the growing cost of tuition.

After completing my months of basic training and advanced individual training to become a medic, I volunteered to deploy to Iraq. I knew that a deployment would mean a steady salary and greater
benefits through the new GI Bill. However, this decision nearly devastated my family. My father was so ridden with guilt that he had to seek professional mental help, and all this while I was away from home and unable to contact him regularly. By the time I returned home, all of his hairs were white.

Even after returning home from Iraq, I had to take time off of school for several months in order to readjust and find work in order to pay for tuition. But compared to many others that served alongside me, I ended up on the luckier end of the spectrum. Two soldiers from our training class are not with us today and many others are left physically, emotionally, and mentally scarred. A friend from my deployment, someone who liked to laugh and joke a lot, was found dead in his home only a few months ago.

Those young people who simply wanted to serve their country and make more
out of their lives are now the faces of the rising rates of depression and suicide amongst veterans. It may seem ironic that suicide rates are going up, while the violence appears to be winding down but I believe that this all links back to lack of opportunities for veterans, students, and graduates.

In the 1950s, veterans were returning to affordable housing and job opportunities. Today, they are returning to rising debt and joblessness. Two soldiers in my company have even had to deal with homelessness and one of them was trying to pursue an associate's degree at the same time to better his life.

I went to the University of Illinois at Chicago because it was an affordable option for me. The University actually ties itself back to the 1940s providing education for the rising numbers of veterans who are starting to use their GI
bill benefits, after returning from World War II.

My university prided itself in providing education to many students who, like the veterans, would be the first in their families to achieve a college education. The public university is meant to be an affordable choice for students from working class families who cannot afford education elsewhere. But in contrast to this mission and to this history, the University of Illinois at Chicago has become drastically less affordable over the years. The tuition and fees have roughly doubled in the last nine years alone. Meanwhile, the percent increase and full-time upper level administrative positions has been substantial and a number of full-time instructors has remained unchanged.

Top level administrators, the lowest paid of which is paid $167,000 a year received an average raise of more than $6,000
in the last year alone. The university claims that the tuition rises are due to a lack of state funding. Yet, the University of Illinois system has more than one billion in unrestricted net assets. We don't know exactly where all this money is going but it is certainly not going to the students.

As our class sizes are growing larger, some classrooms even lack enough seats and students are not getting the individual attention that they need. Furthermore, many of our science labs even lack the necessary safety equipment.

It is not fair that people like myself who do not have the means to afford college without substantial assistance were driven to enlist in the military and risk their well-being because of the exorbitant prices of college tuition. As can be seen in the example of my school, colleges and universities do not have the best interest of their students in mind, financially and
educationally.

We want the Department of Education to implement regulations that hold all colleges and universities accountable for the affordability of tuition and the quality of education. Title IV funding should not be allowed to be exploited by colleges and universities to enable their worst excesses and schools that do not work to keep tuition affordable should not continue to be eligible for Title IV funding.

In addition, because we students understand what it means to suffer while trying to afford an education, we demand that 75 percent of the negotiators selected to be on the negotiated rulemaking committee to be representatives from student organizations. I am proud to go to a public university that has historically been accessible for veterans, working class, and lower income families, and I want the Department of Education to step in and ensure that this can
continue. Thank you.

MODERATOR KOLOTOS: Lilly Osborne.

MS. OSBORNE: My name is Lilly Osborne and I am a student at Loyola University Chicago, a leader with Loyola Organized in Action and the IIRON Student Network.

The IIRON Student Network is a network of grassroots social justice organization based at universities across Chicago. IIRON Student Network is also an affiliate of the Regional Organizing Network IIRON and National People's Action.

The Loyola University Administration has exploited students who are already financially stretched thin. While many students receive federal loans and grants to make college more affordable, universities like Loyola use this aid as an opportunity to profit by needlessly increasingly tuition and fees.
At Loyola, students have been outraged by a new meal plan that will drastically increase the price tag of their education. The least expensive option which we are required to buy for two years will cost me over $2,000 extra a year. The cheapest option is an increase of 150 percent over that of last year's. In just two years, a Loyola student will spend more than $9,000 on meal plan expenses alone.

When we asked Dr. Rob Kelly, Vice President of Student Affairs where the extra money would be going, at first he claimed he had no idea. Eventually, he made it clear that the money wasn't actually being used to pay for food. He said it would help build the new business school on a separate campus from the one undergraduates actually use and pay for guest speakers. Although the price of higher education has increased by over one thousand percent in the last 30 years alone, and Loyola administrators have already
increased tuition twice in the last two years, apparently, they need more money to fund their relentless building expansion and six-figure salaries.

In spite of the huge financial burden this exorbitant plan would exact upon students, in less than 40 days the university quickly signed contracts to implement it without the consent or acknowledgment of the student body or student government.

After hundreds of students showed strong, continued disapproval of the increases, our President Michael Garanzini refused to meet with students and told us in an email that this is just a meal plan we are talking about. However, this isn't just a meal plan we are talking about.

Gratuitous increases like the new Loyola meal plan and yearly tuition surges directly contribute to growing student debt, which now exceeds one trillion dollars and comes second only to national mortgage debt.
For me, this has been a source of incredible anxiety.

Shortly before I entered Loyola, my financial situation drastically changed. Although my parents are divorced, they had agreed upon a 50/50 split of the cost of my education. However, when my father refused to pay his portion, my mom was forced to shoulder it all. But because my dad makes significantly more than my mom, I am unable to receive any need-based scholarships. This problem was further exacerbated by constant fee and tuition increases, worsening my mother's financial burden, as she spent much of her savings to support my education.

While I wrestled with my impending debt, my emotional stability and relationship with my father deteriorated until I was suffering from regular anxiety attacks. I am not alone in this struggle. Students at Loyola and other universities across this country not only face similar
family financial issues, preventing them from receiving aid for a more affordable education but they also enter with an expectation of how much their education will cost, only to be subjected to numerous increases as time goes on.

Like me, the financial and emotional stability of students across the country are being compromised by senseless and ever-increasing student debt. But President Garanzini and other administrators, the people who are supposed to look out for students' interests think it is beneath them to talk with us about thousands of dollars in extra costs. They are not only out of touch with the financial concerns of students but Loyola administrators and President Garanzini are profiting off them. Unfortunately, this is not an experience unique to Loyola students. This is the devastating reality for universities across America. It is time that universities -- it is clear to us that
universities are taking advantage of Title IV funding by using it to support massive tuition and fee increases. Given this, it is absolutely necessary that the negotiating rulemaking committee create regulations for the Department of Education to implement that hold all colleges and universities accountable for keeping tuition and fees affordable while maintaining educational quality.

Those institutions that misuse students' tuition dollars paid for through Title IV funding should not continue to be eligible for Title IV programs. Additionally, we cannot trust universities and their administrators who are rewarded by our debt to have a voice in developing regulations for Title IV funding without ensuring adequate representation for students. Because students make up 85 percent of the individuals at institutions receiving Title IV funding, it is fair that
representatives of student organizations make up 75 percent of the negotiators selected to be on the rulemaking committee, in order to properly represent those most affected by the struggles of paying for higher education, the students.

Thank you.

MODERATOR KOLOTOS: We're running ahead of schedule. So if Aneesh Nandam would like to address the group? Thank you.

MR. NANDAM: Good afternoon. My name is Aneesh Nandam. I am a graduate of the University of Illinois at Chicago, a leader in Roots of Justice at the University of Illinois at Chicago, and a leader in the IIRON Student Network. The IIRON Student Network is network of grassroots university-based social justice organizations from across Chicago and we are affiliated with the community organizing network IIRON and the National People's Action.

So, I have extensive educational
experience at the University of Illinois at Chicago. In my four years there, I completed two bachelor's degrees and nearly all of the academic requirements of a master's degree in public health. And in all of my time there, I have experienced numerous abuses perpetrated by the university and administration both as an undergraduate student and a graduate student.

As an undergraduate, I sat through classes that had far too many students for the instructors running the classes to provide any meaningful individualized attention. I was in lab classes that did not have enough seats for students to actually do work. And had faulty equipment such that I was going into lab for four hours a day, collected no meaningful data, had to go home and write lab reports every week that were totally meaningless because I had no results to report. Every day I went to class, I felt like I was just
wasting my time. And for somebody that is paying thousands of dollars per semester to attend college that seems ridiculous that I should feel like I am wasting my time every day going to class, as that is not the purpose of education.

And throughout the entire process of my undergraduate education, I felt like most of the time no one actually cared whether I learned anything at all. And to this day, I ask myself what exactly I did learn in undergrad, except that I need more education.

So as a graduate student in public health, things did not start out well, even before I even enrolled. Even though I paid my tuition deposit on time and I was communicating with academic support at the university to just check in to see if there was anything I needed to do to ensure that my enrollment was going smoothly, I didn't find out that the Department didn't even know that
I was attending the University School of Public Health until two weeks before the semester actually began. I was not assigned an advisor. I had to go find my own from a relationship I already had at the University from being undergrad. And because of my delay in actually being recognized as an enrolled student, I didn't even get to register for classes until very late. And because I was only attending the graduate school for one year, my ability to attend classes that I actually felt were meaningful was significantly hampered.

And while this may seem like a one-off occurrence, just a random student that got unlucky, something got lost in the mail, this is really just the result of commitment by the University of actually funding academic support, as my department in the School of Public Health only had one person who was in charge of managing relationships with students, making sure that
they were actually able to register for courses properly and addressing any concerns with that. And to me, it seems ridiculous that one person had to shoulder that entire burden. She did a great job, all things considered but that didn't seem fair to me or the other students that were there.

In addition to feeling exploited as a graduate student and undergraduate, I also felt exploited as a graduate student worker. I worked as a research assistant as a graduate student to cover my tuition and fees and my living expenses and this is something that was won by the graduate student union through negotiations with the University. But despite the tuition and fee waivers, I still owed an additional $2,000 per semester to cover a tuition differential, which is not something that has been clearly defined by the University in terms of what that money is actually used for. That is something that the union has struggled to get
more information out of the University for
and has not actually had their questions
answered in any meaningful way.

So I had to borrow that
additional money, despite working three jobs
or two jobs and one unpaid internship for
roughly 35 hours a week while being a full-
time student. And for me, it seems
ridiculous that I should have to borrow in
excess while I am already nearly working
full-time. And this is just an example of
the university continuing to try to exploit
graduate labor as a cheap form of labor so
they don't have to pay significant amounts of
money.

Even a better example of this is
during the contract negotiations with the
graduate union in the last year, they tried
to eliminate the tuition waivers that were
offered to teaching assistants, many of whom
were shouldering very significant teaching
duties and it seems ridiculous that they
would take away the greatest incentive for actually doing that job in the first place.

So all of these things I experienced as an undergraduate student and a graduate student at the University of Illinois at Chicago were justified by this very elaborate narrative that had been pushed to me and my fellow students since I was a freshman in the University, where the University simply blamed the state's declining appropriations for the need for tuition increases and for the need for students and faculty to tighten their belts and cut back and expect less.

What I learned as a graduate student and a graduate of the University is that this narrative was an outright lie and that while students and faculty were made to accept program cuts, growing class sizes, no increases in the number of full-time faculty instructors, administrators saw no losses, we had from 2004 to 2011 while there was a 13
percent increase in total enrollment at the University and roughly no change in the number of full-time instructors, we had a 15 percent increase in the number of higher-end administrators and top-level administrators who were making the lowest salary was about $167,000, had a raise of an average of $6,000 in the last alone -- more than $6,000 in the last year alone.

In addition to that, the University of Illinois system has accumulated more than a billion dollars in unrestricted net assets. Most of this was accumulated after the financial crisis of 2008. So all of these to me, point to signs of a University that is not actually in fiscal trouble and actually has gravely mismanaged priorities that is causing all of its students to suffer.

So the stories that I have shared with you throughout my experiences in undergraduate and graduate colleges at the
University of Illinois at Chicago and the other members of the IIRON Student Network today demonstrate that colleges and universities across this country are not being held accountable to holding the financial interests of students and their families when they are making decisions about how much students are actually paying for school.

And so Title IV funding has been used by these colleges to enable their worst excesses, such that increases in tuition, fees, supported by the easy availability of loans have made colleges feel like they don't have a problem with raising tuition because they know that students can just borrow for it. And as such, they are exploiting students into taking on more debt, which has contributed to the skyrocketing figure of student debt, which now exceeds a trillion dollars and is seconded only by mortgage debt.
So we want the negotiated rulemaking committee and the Department of Education to develop and implement regulations that hold colleges and universities accountable for keeping tuition affordable and for maintaining educational quality. Because universities that exploit federal funding through Title IV programs should not be allowed to continue to accept -- continue to be eligible for Title IV programs and simply exploit their students into taking on more debt because right now they are not facing any consequences for that.

Second, we feel that students, because we are the people who face the real consequences and suffering of trying to pay for college education deserve adequate representation at the negotiated rulemaking table -- the negotiated rulemaking committee. Because students make up 85 percent of the constituents at colleges and universities
accepting Title IV funding, we think it is only fair that we make up at least three-quarters of those selected negotiators on the negotiated rulemaking committee because we are the only people who are truly able to defend student interest in the process.

    Thank you.

MS. MICELI: Thank you.

MODERATOR KOLOTOS: Okay, I think we will take a break and reconvene at 2:40. And if Deborah Bushway is available at that time, we would appreciate it if you could speak at 2:40 when we reconvene. Thank you.

(Whereupon, the foregoing hearing went off the record at 2:23 p.m. and went back on the record at 2:41 p.m.)

MODERATOR KOLOTOS: If everybody could please take their seats, we are ready to reconvene. Deborah Bushway.

MS. BUSHWAY: Just start?

MS. MICELI: Yes.

MS. BUSHWAY: Good afternoon. I
am Deb Bushway and I am the Chief Academic Officer at Capella University. On behalf of Capella, I want to thank you for the opportunity to speak today.

So just for introduction, Capella University is an online institution that delivers primarily graduate-focused education to working adults. Approximately 75 percent of Capella’s learners are enrolled in masters or doctoral degree-level programs. All in all, we offer about 43 degree programs with 145 specializations. We currently enroll about 37,000 students from all 50 states and 61 different countries and we are based here in Minneapolis, Minnesota.

So we use an outcomes based curricular model. Our program outcomes are defined by expertise that is required to succeed in a given profession and our courses and assignments are tied to those program outcomes. As a result, Capella assesses each student’s achievement throughout his or her
enrollment with us. Our courses are designed
to encourage our students to incorporate
workplace issues or projects into their
studies, providing relevancy and context to
the curricula.

For these reasons, we share the
Department's interest in outcomes and
accountability. We strongly believe that
there needs to be a robust and effective
system of regulations that govern student
financial assistance programs. Institutions
should be held to the highest standards of
integrity when it comes to administering
Title IV program funds. Capella is committed
to such regulatory compliance and appreciates
the opportunity to comment on the proposed
changes.

Capella would like to introduce,
however, an additional topic for the
Department's consideration during this
rulemaking. We greatly appreciate the
Department's interest in and support of the
potential direct assessment programs, as evidenced by the recent "Dear Colleague" letter. Under the umbrella of the Department's intent to address program integrity issues related to Title IV federal financial aid, Capella would propose that the Department consider adding direct assessment or competency-based programs to the list of topics considered. We believe direct assessment programs have the potential to significantly lower costs, increase speed to degree and more effectively align learning to the needs of society and to employers. This is true, especially we believe, for working adult learners.

We believe that the core to success for an effective direct assessment program is built around well-articulated and defined competencies, as well as the maintenance of a central role for faculty in this model. Maximizing the potential of direct assessment model will require hand-in-
glove cooperation of institutions, accreditors, and the Department.

With this in mind, we are honored to have been recently approved by the Higher Learning Commission to offer competency-based direct assessment programs. We will continue to work with the Department as this process moves forward.

On a parallel path, we believe there is opportunity to review and modify current regulatory constraints, in order to foster successful utilization of this innovation in educational delivery. Specifically, this will offer an important vehicle for addressing critical questions around key issues like instructional time requirements and credit hour definitions. We believe that revising the existing regulatory restraints with a focus on protecting academic quality and the integrity of Title IV can continue to further two goals of the Department and the Administration. One,
significantly lowering the cost of college and two, reducing the amount of time it takes a student to complete the degree program.

I shift gears a bit to gainful employment. Capella welcomes being held accountable for the academic quality of our programs and the success of our learner and our graduates. We share many of the Department's interest in ensuring institutional integrity and quality and in protecting the student.

We would like to work with the Department to achieve these goals. We believe these collective goals are best achieved through a true focus on outcome measures related to actual student performance and would be best and appropriately achieved through comprehensive and thoughtful reform legislation.

Congressional hearings, as you know in preparation for the Higher Ed Reauthorization Act are already underway.
Recently introduced legislation focusing on outcomes and student performance, such as the student's right to “Know Before You Go” is a great example of how the Department could achieve these goals legislatively. We believe the student's right to Know Before You Go would provide data critical to informing a greater understanding of the higher education landscape and would also serve to level the playing field by ensuring that key data instrumental to choosing an institution and a degree is in the hand of every student attending any institution.

Lastly on this topic, not lastly overall, Capella respectfully disagrees with the Department's proposal to discuss new program approval requirements within the context of gainful employment. Capella, like many institutions, must already comply with the requirements of its state regulatory body and accrediting body in the development and offering of new academic programs. Because
Title IV eligibility for a new program cannot be sought from the Department until after all the necessary state and accrediting approvals are obtained, the imposition of yet another substantive approval process at the federal level applied across the board for all institutions creates great uncertainty and institutional planning.

As the Department seeks to add further protections to the integrity to the Title IV federal financial aid funds, we propose relying on yet another tool already in place to appropriately monitor these program expansions, the total provisional certification. Those institutions that are provisionally certified for whatever reason must already seek Departmental approval to offer total funds in new programs.

Shifting to state authorization, Capella has robust experience in the area of compliance with state authorization and state requirements for distance education programs.
While Capella has been very successful in navigating the complexities of state authorization, one of the largest obstacles with compliance centers on various states, using individualized and sometimes conflicting terminology for describing their state authorization requirements. This could make compliance efforts for an institution challenging, obviously.

Based on this experience, we urge the Department to work constructively with state partners to facilitate the development of more common standards for distance state education authorization and to encourage reciprocity agreements, rather than again imposing a rule that simply tasks state to create further confusion.

The issue of preventing fraud. As an institution that serves many working adults for whom online program delivery is critical to their ability to pursue higher education and to advance their careers,
Capella appreciates the Department's focus on this issue.

As part of the upcoming rulemaking, Capella suggested the Department maintain institutional flexibility to develop and apply specific protocols that work best for a particular institution, rather than prescribing a one size fits all solution. While all institutions should have the shared goal of preventing improper access to Title IV and perhaps can agree to a common set of red flags in this area, it may be difficult to craft regulatory language that covers all the contingencies and all the various circumstances that arise.

Capella also welcomes conversations around the definition of adverse credit with regard to Parent PLUS and Grad PLUS approvals. We recognize that these two programs are important sources of funding to provide student access to education and we support a definition which both ensures
student accesses and compromise but also simultaneously safeguards federal financial aid funds.

In terms of the makeup of the committee, the rulemaking committee, as the Department considers this makeup, we would like to offer two thoughts. The issues presented for the negotiated rulemaking range from technical really down in the weeds technical financial aid issues to broad, substantive policy issues.

In order to enable really robust negotiations with subject matter experts, we would recommend dividing the committee into two committees; one specifically focused on this technical financial aid issue, the other on the more substantive broad-reaching policy issues. If the Department were to consider this additional topic that we proposed earlier about direct assessment or competency-based education, we would suggest that might be a third committee to negotiate.
Regarding the makeup of the committee, we would respectfully request two additional seats to be considered. Given the unique impact of state authorization and financial aid fraud on distance education institutions, we would request that a seat for distance education institutions be included.

With respect to gainful employment, the diversity of the institutions affected warrants diversity on the committees. We would strongly urge that the Department create room on the committee for a graduate education representative as well.

So now I am closing. We appreciate the opportunity to provide these comments to you. We value all the efforts you are making and we ask that you accept our comments as part of the hearing. Thanks.

MS. MICELI: Thank you.

MODERATOR KOLOTOS: If Samuel
Levine would like to speak now, that would be great. Thank you.

MR. LEVINE: Good afternoon. My name is Samuel Levine and I, along with my colleague, Colleen Bisher-Fry, am here on behalf of the Illinois Attorney General.

As the chief consumer advocacy agency in Illinois, our office handles hundreds of complaints concerning higher education and we enforce laws to protect consumers from unfair and deceptive practices. To date, we have received more than 1500 complaints about Illinois colleges and universities and have interviewed scores of students to learn more about their experiences. Additionally, our investigation of the for-profit school industry has yielded broader policy lessons that may be useful as the Department shapes its rulemaking agenda.

We have carefully reviewed the proposed topics for consideration and wish to comment on one topic, gainful employment,
that we believe is of particular importance to Illinois consumers. Additionally, we encourage the Department to address six other topics that were not referenced in the notice: cohort default rates -- I had better go slowly -- cohort default rates, institutional loan transparency, placement rates, programmatic accreditation, and delays in loan disbursement. I will be addressing gainful employment, cohort default manipulation, and institutional loans. My colleague, during the time, will address the remaining issues.

We believe that strong rules in these areas would protect taxpayer investment, aid consumers in making informed choices, and level the playing field for career schools that are delivering for the students and the public.

I will first address the gainful employment rule. A robust gainful employment rule is vital to protect taxpayer investment
and ensure that students have adequate and reliable information when they enroll in a career school. We recommend adoption of a rule that again sets thresholds for repayment rates, and debt to income ratios and requires disclosures of these figures to perspective students. If career schools consistently fail to meet these thresholds, they should lose eligibility for federal funds.

Debt to income ratios provide perspective students with a vital snapshot in graduates' ability to repay their loans. We have spoken to numerous career college graduates who find that their earnings are lower and debt burden far higher than what they expected when they enrolled. Had they been given debt to income disclosures when they were shopping for schools, they could have made more informed decisions before incurring significant debt.

We encourage the Department, therefore, to again promulgate rules that set
maximum thresholds for debt to income ratios; programs in which a majority of graduates don't have loans, such as community colleges, can be deemed to have met these thresholds.

Perspective students should also be entitled to information about loan repayment rates, which indicate whether a school's graduates are in careers that allow them to cover the cost of their education. Repayment rates are a vital compliment to debt to income ratios because they can and should account not only for graduates but also for students who drop. After all, if a school has a 90 percent repayment rate for its graduates but only a 20 percent completion rate, that school is not delivering for a majority of its students and taxpayers.

The repayment rate, therefore, is a strong indicator of a college's success in preparing its students for gainful employment. If the rate falls below a
certain threshold, that college should lose
its eligibility for Title IV funds. Because
of the importance of both of these figures
from schools and taxpayers, schools should be
accountable for both of them. Failure to
meet either should lead to loss of Title IV
eligibility.

The next topic that we would like
the Department to address is manipulation of
cohort default rates. Like repayment rates
and debt to income ratios, cohort default
rates are a vital measure of a school's
success both as educators and as stewards of
our taxpayer dollars. Troublingly, however,
many for-profit schools have evaded the
intentions of congress and the Department by
aggressively soliciting students to seek
forbearances and deferments so that they are
not accounted for in the Department's
measurement. Indeed, the recent For Profit
Higher Education: The Failure to Safeguard
the Federal Investment and Ensure Student
Success Report released by the Senate Committee on Health, Education, labor, and Pensions details the troubling ways in which for-profit schools manipulate their default rates, including repeated phone calls to separated students, McDonald's gift cards, aggressive mailings, home visits, and bonuses for default management employees who can secure the most cures.

Manipulation of cohort default rates evades accountability for poor outcomes. It hurts students who may not benefit from one size fits all cures, and it misleads prospective students about their chances of securing gainful employment.

Prospective students are entitled to disclosures that indicate their actual likelihood of paying back their loans without the distorting effect of default management tactics. Separated students, meanwhile, don't always benefit from forbearances or deferments. Some would be better off in
enrolling in income-based repayment of other alternatives. Students need financial counseling that places their interests first, not the financial interests of for-profit schools.

Accordingly, we believe that it is vital that the Department address the issue of cohort default rate manipulation at its upcoming rulemaking.

The next and final issue that I will be addressing is institutional loans. We believe that many players in the for-profit school industry attempt to comply with the 90/10 rule by setting their tuition such that no more than 90 percent of their cost will be covered by federal aid, thus creating a gap and leaving students with no choice but to take out private loans.

Until 2008, this gap could be filled by third-party lenders. But after the economic crash, these lenders have largely exited the subprime market. For-profit
schools then began issuing their own loans, what we and others have called institutional loans to fill the gap. Although these loans may lose money for the school, they serve the vital purpose of contributing to the ten percent of non-federal revenue that the Department requires.

Institutional loans pose a number of problems for students. They frequently carry high interest rates, binding arbitration provisions, and mandatory in-school payments. They lack the protections of federal -- they generally lack the protections of federal loans.

Many students don't realize that these loans are ultimately purchased by the school. And we have spoken to a number who were surprised when they were pulled out of class, denied externships, even denied diplomas if they didn't make in-school payments on time. Unfortunately for students and taxpayers, schools set up complex
financial arrangements with third-party lenders in order to attempt to comply with 90/10 and conceal the fact that they own or will ultimately purchase the loans being issued to their students.

It is essential, therefore, that the Department create a clear definition of institutional loans. If schools have any direct financial interest in a loan to repayment, that loan should be considered institutional. And if students are to be offered institutional loans, they should be informed of this fact and also of the consequences if they fail to make timely payments, especially while in school.

We are also concerned by schools' lack of transparency concerning default rates on institutional loans. Indeed, the only information available publicly is accounting figures disclosed to investors by publicly owned for-profit schools. These figures suggest a default rate of over 50 percent and
prospective students of for-profit schools should be entitled to at least the same information as investors in for-profit schools. After all, it is the students who are taking out the loans and the students ultimately who will be the most harmed if they default.

Accordingly, schools should disclose to students the default rates on institutional loans in a clear, transparent way, ideally according to the same measure with which they calculate cohort default rates on federal loans.

On behalf of my office, I want to thank the Department for this opportunity to comment on an area of great importance for the consumers we are charged with protecting.

I will now turn things over to Colleen Bisher-Fry to discuss the remaining issues that we believe the Department should address.

Thank you.
MS. BISHER-FRY: Good afternoon. My name is Colleen Bisher-Fry and I also am an Assistant Attorney General representing the Illinois Attorney General's Office today.

As my colleague, Mr. Levine, previously discussed, we have a variety of issues that we encourage the Department to consider during its upcoming rulemaking session, including job placement rates, accreditor shopping, programmatic accreditation and loan disbursement delays. We encourage the Department to promulgate rules that support students in their decision of whether to attend higher education institutions by providing them with clear, accessible and accurate information.

The first issue I will address today is job placement rates. Many students choose to attend college or career schools to broaden their job opportunities and potential for income. As prospective students research these institutions, they should be provided
accurate and timely disclosures of graduate job placement rates. Unfortunately, many prospective students cannot rely entirely upon job placement disclosures when determining the actual rate of job placements of graduates from any given institution. We have discovered for-profit schools that have counted students as placed in field when it is very questionable whether or not these graduates are actually placed in field.

For example, some schools have identified students that attended one-day field trips or job fairs in their area of study as placed in field. We have also seen instances when students have been induced by institutions to identify themselves as self-employed in field, so the school may count the students as placed. Moreover, some institutions categorize students as placed in field when graduates have obtained retail positions related to their program of study, such as a game design graduate who is
employed at Game Stop or a fashion design major employed at Kohl's, or a criminal justice major employed at Walgreen's. Unsurprisingly, many of these practices are not unique to Illinois.

Oral statements about job placement rates from institutional representatives are also questionable. Students have been told that graduates receive high salaries that their particular institution has a 99 percent job placement rate or that schools have high passage rates on licensure exams that are required to enter a particular professional field.

Many students attending or who have attended for-profit schools, relied upon the promises made to them either in disclosures or orally by school representatives when they chose to enroll in that university. These students have sadly discovered that their job prospects are far more bleak than they expected upon
graduation. In order to mitigate oral and written misrepresentations about job placement rates, the Illinois Attorney General's Office recommends that the Department require clear placement disclosure for all career schools. We ask that the Department again seek to develop a uniform definition of in field placement for graduates.

The Department should also exclude self-employed graduates who earn little or no income, hold temporary or contract positions, or hold the exact same job as they held prior to their enrollment as placed in field.

The Department should also require disclosure of average and median salaries, along with percentile breakdowns, so students have realistic expectations about their future salaries if they graduate from their program of choice.

Additionally, the Department
should require independent audits to ensure that institutions are properly categorizing students' jobs as in field or not in field after graduation.

Further, the Department should set minimum thresholds for placement rates. Schools that don't meet the threshold should not be eligible to receive federal dollars because schools that can't prepare their graduates for employment in their fields of study should not receive taxpayer money.

The second issue I will discuss today is the practice of accreditor shopping. For-profit institutions should not be able to avoid accountability for poor practices by simply switching accreditors. The broad jurisdiction of national accreditors prevents them from ensuring compliance of the schools that they accredit. For example, if a national accreditor believes that a school is not complying with their guidelines, it may request that the school provide concrete
evidence of institutional compliance with their guidelines in order to retain accreditation.

In response to this type of request, schools may do one of three things. First, they may improve their practices or provide evidence that they are abiding with accreditor guidelines, which is clearly the most preferred solution and the intention of the request. Second, the school may shut down the low-performing campus or campuses and potentially open up shop under a new name and in a new location. Finally, the school may simply switch national accreditors, which is the most troubling solution. This practice allows institutions to entirely avoid accountability with one national accreditor and move forward with a clean slate from another. As such, we request that the Department promulgate rules that protect the integrity of the accreditation process by preventing accreditor shopping.
The third issue I will discuss today is programmatic accreditation. Many employers see employees who have earned a career-based certification or have graduated from a program with a programmatic accreditation related to a specific field. For example, to be eligible to take the certification exam to become a certified medical assistant or a CMA, a graduate must have attended a medical assisting program that was accredited either by the Commission on Accreditation of Allied Health Education Programs, which is a mouthful and it is known short as CAAHEP or the Accrediting Bureau of health Education Schools, known as ABHES.

We have seen examples of for-profit schools setting up its Office of Postsecondary Education Identification Code, also known as the school's OPEID Code in a way that would inhibit a reasonable consumer from discovering whether a particular program is programmatically accredited. A school may
have numerous campuses under one OPEID Code, some of which may have programmatic accreditation and some of which may not. This prevents potential students and even savvy higher education shoppers from determining which campuses are accredited and which ones are not.

We ask the Department create rules requiring schools with one OPEID Code and different programmatic accreditations for different campuses to provide students with clear and accessible exposures about the programmatic accreditation at each campus. We also ask that the Department require that affirmative representations are made to students regarding the status of a particular campus' programmatic accreditation.

The final issue I will address today is loan disbursement delays. As Mr. Levine discussed, we believe that some educational institutions circumvent the 90/10 rule with their institutional loans. We have
found evidence that schools are delaying the
disbursement of their Title IV funds received
on behalf of students to the following fiscal
year. The practice of holding on to money
intended to be disbursed directly to students
allow schools to avoid applying the federal
loan money to the year that it is received.
Rather, it is applied to the year that it is
disbursed to the student. This loophole
allows schools who are approaching the 90
percent threshold to attempt to comply with
90/10. Many students anticipate their
student loan disbursements to meet rent, pay
bills, buy food, or purchase other
necessities. Delaying disbursement likely
does not benefit students but benefits only
the institution withholding the money. As
such, we encourage the Department to
promulgate rules that protect students in the
integrity of 90/10 by prohibiting untimely
loan disbursements to students.

The Office of the Illinois
Attorney General appreciates the opportunity
to comment on an area of great importance for
Illinois students and taxpayers. We look
forward to discussing these issues in more
depth in written comments we will submit to
the Department later this month.

Thank you very much for your time
and consideration.

MS. MICELI: Thank you.

MODERATOR KOLOTOS: I take it you
are Matt? Okay.

MR. FORSTIE: Well, thank you.
My name is Matt Forstie. I am a student here
at the University of Minnesota, an
undergraduate student. I just finished my
junior year studying finance and mathematics.
And I want to thank the Department for
providing this opportunity to provide input.
I really appreciate the way that is being
sought in this process.

I formerly served as the
statewide share of an organization called the
Minnesota Student Legislative Coalition. And that is official representation for students at the University of Minnesota across our five campuses across the state. So I represent over 70,000 students.

And I will first talk a little bit about, I will frame, some of the issues students are facing both here in the state and nationally. And then I will talk about a few broad principles that I think are areas for the Department to take action as it relates to the reauthorization of the Higher Education Act.

So as you know, we have a crisis in higher ed, specifically a crisis for students in this country. And it is primarily manifesting itself in high tuition and high debt, which is a place that we have gone in this country and we are just starting to see the negative results of that. We have a generation that is in trouble and this damages our national interests.
Total student debt in the U.S. exceeds one trillion dollars. The average student debt nationally is about $26,000 and in this state, it has reached nearly $30,000. People are putting off getting married, buying a car, buying a home and other big life decisions because of this debt and unemployment after they graduate. So like I said, we have a generation in trouble. It is not just people that are in school now. It is people that have graduated or that will enter school and will graduate in the future. And I think that that will damage the future of this country.

There are three big players that I think aren't stepping up in the higher education policy conversation in this country: the federal government, states, and institutions. I think all of those three players haven't done enough to address the student debt crisis. I think all three could do more and I appreciate this opportunity to
address you to tell you how I think specifically the federal government could do more.

So I will move into, I think I want to address four broad principles. I am not an expert as some of the folks here have been. But I think some of these broad principles should help you guide your actions as it relates to students in the Higher Education Act.

So the first principle I want to talk about is strong student representation on the rulemaking committee. First and foremost to ensure that students are equitably represented throughout the rulemaking process, a significant portion of the members of the negotiated rulemaking committee should be students or representatives of students. According to the National Center for Education Statistics, students make up 85 plus percent of all the people at institutions that receive Title IV
funding so I think that is a strong statistic that should be kept in consideration. And I think the least that students can ask for is fair representation on a committee establishing regulations that will impact us so drastically as all of these decisions will impact students.

So as a representative of the Minnesota Student Legislative Coalition representing 70,000 students, I plead for strong student representation on the rulemaking committee. And I think strong representation on that committee will produce positive outcomes in the other principles that I want to talk about.

So the second thing I want to talk about is that the Higher Education Act, the reauthorization I think should emphasize administrative accountability and transparency in higher education to help students and families shop with their feet, realize what they are buying, and get what
they are buying. So I think it is vital that federal funding for higher education should be disbursed to schools based on their track record of making college affordable for students. Regulations must restrict and award federal funding to higher education institutions, based on their demonstrated ability to do, I think, at least three things. The first of which is turn revenue, institutional revenue into affordable tuition and quality instruction. The second should be to keep average student debt and loan default rates low, and the third should be to help students get jobs upon graduation, which is why the entered a higher education institution in the first place.

So we must set some kind of precedent for administrative accountability and transparency by adding another layer of oversight at the federal level. And I believe that reporting on finances and accounting is something that benefits all
stakeholders in higher education, including
the institutions themselves and efforts by
the federal government to enforce this are a
necessary component of our modern higher
education system.

The third principle I would like
to talk about relates to states. Lack of
state funding and disinvestment by states in
the past decade and more is the primary cause
of high tuition and high debt. The
administration and the Department recently
proposed as part of President Obama's Fiscal
Year '14 budget proposal dollars for a Higher
Education Race to the Top: College
Affordability and Completion program. And I
want to thank the Department for that effort
because I think that goes towards something
that desperately needs to be done, which is
encouraging states to prioritize higher
education with their dollars. So those
dollars would go to states on a competitive
basis, block grant style to focus on higher
education. And I appreciate that effort and I hope that there is some kind of opportunity in the higher education act to encourage states to place a financial emphasis on higher education.

The last principle I want to address is addressing the student debt crisis through tax credits. As I said earlier, it is not just folks that are in higher education institutions right now or have just graduated or are just entering that are facing this debt issue, it is folks that have graduated and who may have been in the workforce for five or ten years.

To address this problem, a broad coalition of students, specifically in Minnesota, introduced legislation in this state, we call it Opportunity Minnesota, which would provide student loan debt relief through a refundable tax credit. And we think that there is opportunity for some of that conversation on the federal level
because it would refund dollars for large student loans for folks that are in the workforce and contributing to the economy. So I hope that becomes a part of the conversation that is going forward.

So once again, I would just like to thank the Department and everyone here for this opportunity to provide input. I appreciate it and I will be involved in the ongoing process. So thank you.

MS. MICELI: Thank you.

MODERATOR KOLOTOS: At this point, we have no one else scheduled but if someone in the audience would like to speak, now is the time.

(Pause.)

MODERATOR KOLOTOS: That's okay. If nobody wants to come up, we are going to remain here until the scheduled 4:00 end of the meeting. So you are welcome to stay and see if anyone else comes or you can go. It is up to you but we will be here.
(Whereupon, the foregoing hearing went off
the record at 3:17 p.m. and went
back on the record at 3:59 p.m.)

MS. MICELI: Okay. You know it
is 4:00 somewhere. So, I am closing the
record. The hearing has concluded.

(Whereupon, at 3:59 p.m., the foregoing
hearing was concluded.)