



Good morning Chairwoman Weinstein and Chairwoman Kruegar, and members of the Committee on Ways and Means and The Senate Finance Committee. My name is Ramond Curtis, and I am the State Policy Manager for Veterans Education Success, a nonprofit veterans service organization that advocates for public policy to ensure veterans' success using the GI Bill.

We are thrilled that New York State is focusing on protecting students from predatory for-profit schools because we know how critical postsecondary education attainment is to economic success. People in the United States who earn a postsecondary degree or credential earn \$1 million MORE over the course of their lifetime than people with a high school diploma or less. As the United States emerged from the most recent recession, the number of new jobs created that required a college degree dramatically dwarfed the number of jobs needing only a high school degree. In 1973, only 28% of jobs required postsecondary education and training. However, by 2020, that number will increase to 64%. College attainment also improves people's lives: College graduates are healthier, earn more, pay more in taxes, and are more civically engaged.

However, as the Committee is aware, not all colleges are created equal. Unfortunately, because of a loophole in federal law, GI Bill usage is currently dominated by low-quality online colleges that soaked up 39% of all GI Bill tuition and fees between FY 2009 and 2017, and that routinely over-promise and under-deliver. This leads many students to drop out and not complete college.

Here's what some of the veterans we serve have said (and I have protected their confidentiality by not giving their last names):

“The curriculum was deceiving, all the core courses were an intro course. When I graduated they sent me to interviews with companies who [said] that if they were really in need, they might bring me in on a entry level. With most of my courses being intro courses, I was unable to find a job in the IT field job. They had the nerve to ask me to come back as a success story. To see the commercials they put on television I felt it was a smoke screen.” - Timothy A., Kirkville, New York

“When I dealt with the financial aid advisor I was told that since I was a veteran that my GI bill should cover the cost of my tuition and all I had to do would be to apply through the VA website. While waiting for my GI Bill application to be approved the financial advisor stated that I was eligible for a stipend, which would cover the cost of books, supplies and living cost. I filled out the required application to receive this stipend

and I was never told how or where the funding was coming from. I soon discovered that it was student loans that was being taken out for this so-called stipend.” – Michelle K., Suffern, New York

The for-profit college sector accounts for just 4 percent of all undergraduate students in New York, but 40 percent of borrowers who defaulted after five years. According to new data recently released by Center for an Urban Future, an independent nonpartisan policy organization focused on reducing inequality across the state of New York, at 73 percent of all for-profit programs, graduates earned less than \$25,000, which is equivalent to the average wage of high school graduates between ages 25 and 32. In other words, attending a for-profit college left the students no better off than if they had never gone to college. In 38 percent of for-profit programs, graduates’ student loan repayments totaled more than 8 percent of their annual earnings, which places an enormous burden on students as they enter the workforce. With such poor results, it is even more concerning that the worst performing for-profit schools receive tens of millions annually in federal and state subsidies. In 2015 alone, more than \$37 million from New York’s Tuition Assistance Program went to colleges with at least one program that failed or nearly failed the U.S. Department of Education’s Gainful Employment standard for post-college outcomes. \$31 million went to colleges at which no more than 30 percent of former students made any payments to their loan principal within three years of entering repayment.

A national report published in November of 2017 by The Century Foundation, one of the oldest public policy research institutes in the country, found that students who enrolled at a for-profit college in recent years are 200 times more likely to end up filing a fraud claim than students at nonprofit colleges, and 1,100 times more likely than students at public colleges. These findings were based on a review of nearly 100,000 federal “Borrower Defense claims,” which are applications for loan relief from students who maintain that they were defrauded or misled by a college.

It has become abundantly clear that for-profit colleges across the state and country are not properly serving students, who are left with worthless credits and enormous student debt.

As some of you may already know, one of the primary demographics that for-profit schools target is the veteran community. Federal law prohibits for-profit colleges from receiving more than 90% of their revenues from federal education aid. The purpose of this revenue cap is to provide a market test, ensuring that federal student aid funds aren’t used to prop up low quality schools that are unable to attract at least 10% of their revenue from private sources, including employers, scholarship providers, and families. However, the Post 9/11 G.I. Bill and Defense

Department tuition assistance are not listed in the policy as federal education aid. Additionally, New York state's tuition assistance programs, like Tuition Assistance Program ("TAP") and the Enhanced Tuition Assistance Program ("ETAP") are not included in the federal policy.

That means that for-profit schools can legally receive 100% of their revenues from state and federal education aid, as long as 10% of it comes from the GI Bill or tuition assistance. Or, in other words --from New York's servicemembers and veterans. Because of this loophole, for-profit colleges are VERY eager to enroll veterans. So much so that many rely on extremely aggressive and deceptive recruiting methods in order to maximize veteran enrollment. To quote Holly Petraeus, wife of General Petraeus and the former head of Service Member Affairs at the US Consumer Financial Protection Bureau: "For every service member or veteran enrolled at a for-profit college and paying with military education funds, that college can enroll nine others who are using only Title IV money [to pay their tuition]. This gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in."

States have the power to reduce this targeted recruitment of servicemembers. They can improve on the federal 90/10 loophole and close loopholes. The Veterans' Administration applies an 85/15 rule. Historically, the federal government used a 60/40 rule to focus scrutiny on institutions that mainly enrolled more vulnerable students. These policies have been watered down but New York can reverse the trend.

If the state doesn't take action, for-profit college salesmen will continue to recruit on military bases, inside VA hospitals, and even at the homes of veterans and servicemembers. The U.S. Government Accountability Office ran two undercover investigations, sending agents to pose as students. Agents reported that every single one of the for-profit colleges they visited deceived them about the quality of education, cost, and likely job and salary for graduates. Four colleges engaged in actual illegal fraud (such as directing students to falsify federal student loan applications).

A two-year investigation by the U.S. Senate Education Committee produced similar results, finding extreme levels of deception by for-profit colleges about every aspect of the college (from tuition and the number of credits needed to graduate, to the programs even offered at the school, to the accreditation and transferability of credits to other colleges, to the quality of education to job prospects for graduates). Some for-profit colleges even sign students up for high-interest private loans without disclosing the true terms of loans, and in some cases without the student's knowledge. Some for-profit colleges go so far as to promise a career in fields that require a license – such as law, plumbing, electricity, and medical fields – only for students to find out after graduation that their college is not recognized or properly accredited and graduates are not eligible to obtain licenses required for the career.

Our organization works with more than a dozen for-profit college salesman turned whistleblowers who help us identify deceptive tactics by for-profit schools because they feel terrible about how their for-profit college continued

to target and defraud veterans of their education benefits. What they tell us is similar to quotes you may have read in news stories such as:

Patrick Flynn, a former recruiter employed by Education Management Corporation. This chain also operated for-profit schools in New York City under its “Art Institutes” brand: "It just got to the point where I felt like I was lying to these people on a regular basis.... Honestly, I just felt dirty doing the things I was doing. It's almost like they were trying to make me take advantage of people's belief in what this education was going to get them, when I didn't buy into it myself."

Eric Shannon, a former recruiter out of Brooks College: ““We’re selling you that you’re gonna have a 95 percent chance that you are gonna have a job paying \$35,000 to \$40,000 a year by the time they are done in 18 months.... We later found out it’s not true at all.”

New York State’s 141 for-profit colleges offer a variety of career-oriented programs, ranging from courses in medical billing to programs in building trades. We know that at least some of these institutions are crossing ethical and legal lines to boost their veteran enrollment across the country. In August of 2013 The New York Attorney General recouped more than \$10 million for New York students who were deceived by colleges owned by Career Education Corporation (Sanford Brown, Briarcliffe, American Intercontinental U. Colorado Technical U, and Cordon Bleu) for deceiving prospective students about their job prospects, including promising they could work as sonographers when the training did not leave them eligible to even sit for the licensing exam.

Veterans Education Success has received more than 4,000 complaints from veterans who were deceived or defrauded by a for-profit college. Many of them are from New York. Before closing, I’d like to share two more statements from NY veterans that have reached out for assistance. For confidentiality sake, I will not use their full name:

- Brittnie of Fort Montgomery, NY told us: “I was told this was one of the best schools to attend while being in the military as it was all online. They had failed to mention that they were not accredited and the price per class was through the roof. Credits don't transfer to hardly any schools. When I requested to withdraw I was constantly being called to re-enroll and felt harassed.”
- Aimee of Amherst, NY told us: "I was recruited by University of Phoenix while I was still on active duty, with the promise of a high-quality degree that I could pursue while still in service. I am still paying on those loans, and my degree was not recognized by employers well. Also, few of my credits transferred when I pursued my current degree of practice. I am in tremendous debt now as a disabled veteran because I had to pursue a second degree path in order to have a career after my military service. Very disappointing."

While these enforcement actions are necessary to root out bad practices, the greater hope is that New York can prevent predatory practices and bad outcomes by implementing strong policies that hold for-profit colleges accountable to the students and taxpayers they have an obligation to serve. In doing so, New York will be able to identify schools that rely on deceptive and aggressive marketing tactics to attract and enroll students. This will ensure that these types of schools are not permitted to enroll New York students, and will force for-profit schools to clean up their recruiting practices and improve the quality of their education in order to be eligible for New York aid. Honest recruiting and an improved education will mean improved job placement rates for students, which will reduce the number of graduates who end up defaulting on their student loans. We look forward to working with you on specific steps the Legislature can take to protect students in New York from unscrupulous salesmen at low-quality colleges.