

**Testimony of Yan Cao, on Behalf of The Century Foundation,  
and Zachary Murray Hastie, Poughkeepsie Firefighter/EMT & Former Student at DeVry  
University, on His Own Behalf**

**Before the Joint Legislative Budget Hearing on Higher Education of the New York  
Senate Finance Committee and New York Assembly Ways and Means Committee**

**Regarding Part E of the Education, Labor and Family Assistance (ELFA) Bill, FY 2020  
Article VII Budget Legislation, the “For-Profit College Accountability Act”**

**Monday, January 28, 2019**

Thank you for this opportunity to provide testimony. My name is Yan Cao, I am a Fellow at The Century Foundation - a hundred-year old not-for-profit, nonpartisan research center that has brought progressive ideas to lawmakers from President Roosevelt to the present.<sup>1</sup>

The task today is to provide funding for higher education in New York. It is a critical task. At a time of rising inequality, economic insecurity for families and fracturing among civil institutions, prying open the doors to offer high-quality affordable education to all New Yorkers remains the last best chance to improve the lives of individual students, uplift their families and communities, and drive economic growth.

But, with each effort to expand access to higher education, there has been an unfortunate record of abuse. From the very first GI Bill, to the early days of Higher Education Act, from state programs seeking to promote higher education for police officers, to federal programs seeking to promote education for low-income mothers, well-intended programs meant to augment student financial aid for higher education have led to abuse.

**New York Faces Another Cycle of Abuse at For-Profit Colleges**

With me today is Zachary Murray Hastie, a former marine who was targeted by a for-profit college for the GI Bill Benefits that he earned through his service. Zach’s experience came to my attention through the outreach of organizations like Veterans Education Success, which work hard to mitigate the harm suffered by students who have attended for-profit colleges. I’d like to

---

<sup>1</sup> The Century Foundation, Archives of the Century, *available at* <https://archivesofthecentury.org/>.  
See also, New York Public Library Archives & Manuscripts, Century Foundation Records 1906-2010 [bulk 1960-1006], <http://archives.nypl.org/mss/18811>.

cede my time so that Zach can share his experience with you, and I'm happy to provide additional context after.<sup>2</sup>

Zach's experience is representative of the last major wave of growth in the for-profit college industry -- in the wake of the recession, for-profit colleges grew as the rest of the economy contracted. New York's legislature responded in 2012 by enacting a law to protect students from some of the worst abuses. At the same time, the federal government woke up and improved accountability and oversight. These actions remain commendable and New York's leadership in that moment was clear.

But the work is not over. We face the potential for another cycle of abuse. Today, Secretary Betsy DeVos and others in the Trump administration actively seek to dismantle nearly every student protection that has been put in place.

- The Gainful Employment Rule required vocational programs that consistently left graduates with high debt and low earning potential to improve student outcomes or risk losing federal aid eligibility. DeVos proposed eliminating this rule, allowing federal tax-dollars to fuel rapid growth by for-profit programs, with no accountability required.
- The Borrower Defense Rule offers cancellation of federal student loan debts for thousands of New Yorkers who were deceived and defrauded by for-profit colleges. DeVos has stopped investigating fraud and delayed help for defrauded students. Meanwhile, under her proposed revisions to the Borrower Defense Rule, defrauded students must default on their student loans before they can even apply for relief.
- Federal rules on Accreditation and State Authorization are meant to promote quality and prevent from abuse. DeVos has reinstated an accreditor notorious for enabling rip-off chains like ITT Tech. Meanwhile, in a new round of changes started this month, DeVos has proposed standards that are so low, even the representatives of for-profit colleges are asking her to reconsider.

With these changes, federal student aid dollars that are meant to increase opportunity for students like Zach will instead fuel the growth of predatory colleges that prioritize profits over student success. History will repeat itself, and another generation of students will see their futures stymied by lifelong debt sentences unless states like New York break the cycle.

---

<sup>2</sup> Hastie's testimony is attached below.

## New York Can Restore Protections the Federal Government is Eliminating and Prevent Future Abuse

The good news is that we have the tools in place to safeguard students and improve outcomes. We know where the abuses are concentrated; we know the incentives that drive them; we know the common-sense accountability measures that stop them.

### 1. Where is the abuse concentrated?

In New York, for-profit colleges enroll 4 percent of students but account for over 41 percent of student loan defaults.<sup>3</sup> Moreover, they account for over 98 percent student complaints of unlawful and deceptive activity by colleges and post-secondary institutions.<sup>4</sup> Unlike other sectors, for-profit colleges have a mission to generate profit for owners and shareholders. This difference in mission is reflected in vastly different outcomes, as illustrated in the figure below.

**Table 1: NY 2012 Repayment Cohort, Comparison of Total Enrollment to Defaults After 5 Years**

Sector	Student Enrollment in 2012	Share of Enrollment by Sector	Borrowers Entering Repayment	Share of Borrowers by Sector	Total Student Defaults	Share of Defaults by Sector
Private, Non-profit	528,851	40.3%	144,892	44.6%	6,693	18.6%
Private, For-profit	56,500	4.3%	55,355	17.0%	14,873	41.3%
Public	727,530	55.4%	124,578	38.4%	14,406	40.0%
<i>Total</i>	<i>1,312,881</i>	<i>100.0%</i>	<i>324,825</i>	<i>100.0%</i>	<i>35,972</i>	<i>100.0%</i>

*Source: TCF analysis of data published by Ben Miller, Center for American Progress, Aug. 2018, available at <https://www.americanprogress.org/issues/education-postsecondary/news/2018/08/30/457296/can-see-colleges-long-term-default-rate/>.*

<sup>3</sup> Joint Hearing of the NY State Assembly Standing Committee on Banks, Standing Committee on Consumer Affairs and Protection Examining Practices of the Student Loan Industry, November 27, 2018 Written Testimony of Kirsten Keefe, on behalf of the Empire Justice Center and Yan Cao, on behalf of The Century Foundation, available at [https://empirejustice.org/wp-content/uploads/2018/11/P\\_TEST-Student\\_Debt\\_November\\_2018.pdf](https://empirejustice.org/wp-content/uploads/2018/11/P_TEST-Student_Debt_November_2018.pdf).

<sup>4</sup> Yan Cao and Tariq Habash, “College Complaints Unmasked,” The Century Foundation, Nov. 8, 2017, available at <https://tcf.org/content/report/college-complaints-unmasked/> (finding 99 Percent of Student Fraud Claims Concern For-Profit Colleges); Yan Cao and Tariq Habash, “College Fraud Claims Up 29 Percent Since August 2017,” The Century Foundation, May 30, 2019, available at <https://tcf.org/content/commentary/college-fraud-claims-29-percent-since-august-2017/>.

## 2. Why is tuition high instructional spending low at for-profit colleges?

For-profit colleges enroll vulnerable students, charge these students tuition at rates that are higher than those of public or non-profit colleges, but spend far less on student instruction.<sup>5</sup> Directing vulnerable students to schools that provide the cheapest product at the highest price leads to predictably bad outcomes for these students, and does not serve the purposes of higher education funding on the whole.

However, this formula does respond to another mission of for-profit colleges: generating profit for the owners and investors who control decisions regarding tuition and instruction. For-profit colleges absorb the majority (57%) of federal grant aid [as private profit](#).<sup>6</sup> A 2012 [U.S. Senate investigation](#) found that for-profit colleges allocate 23 percent of revenue dollars to marketing and recruitment and 19 percent of revenue to profit while spending just 17 percent of revenue on instruction.<sup>7</sup> These spending priorities are in line with the goals of owners and investors, but not with the goals of higher education funding in New York.

**Table 2. Comparing Annual Tuition Charges to Instructional Spending at Bachelor’s Degree Programs in New York.**

<i>Tuition revenue and instructional expenditure for bachelor’s degree programs</i>		
	Tuition	Instructional Spending
Public (295,190 students)	\$5,659	\$12,772
Private, nonprofit (330,325 students)	\$20,063	\$19,025
Private, for-profit (11,258 students)	\$23,762	\$8,509

Source: Cao, *Grading New York Colleges*, available at <https://tcf.org/content/report/grading-new-yorks-colleges/>

<sup>5</sup> See Louise Seamster, Raphaël Charron-Chénier, “Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap,” Sage Publications, Jan. 3, 2017, (“actors offer needed services to black households but on exploitative terms that limit or eliminate their long-term benefits”), available at <https://journals.sagepub.com/doi/abs/10.1177/2329496516686620?journalCode=scua>.

<sup>6</sup> Christopher V. Lau, “The Incidence of Federal Subsidies in For-Profit Higher Education” Northwestern University (2014 Working Paper), (finding that at for-profit colleges, 57% of federal grant aid and 50% of federal loan aid is absorbed as profit), available at <https://drive.google.com/file/d/0BxCDXfeTJUvWSU9pemdXdlZrOTg/view>.

<sup>7</sup> United States Senate Health, Education, Labor and Pensions (HELP) Committee, “For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success,” July 30, 2012, available at <https://www.govinfo.gov/content/pkg/CPRT-112SPRT74931/pdf/CPRT-112SPRT74931.pdf>.

### 3. Are for-profit colleges charging inflated prices?

While states like New York provide funding in the hopes of making college more affordable, colleges that seek to deliver profits to owners see additional funding as a reason to raise tuition. Researchers with the Federal Reserve Bank of New York found that for-profit colleges [raised tuition](#) at nearly four times the rate of not-for-profit colleges.<sup>8</sup> For-profit schools that are eligible for federal financial aid programs charged [75 percent more](#) than comparable programs where students pay out-of-pocket.<sup>9</sup> Following one expansion of student aid, executives at the University of Phoenix told investors that they would be raising tuition to match the expansion of available aid -- with no connection to any increase in educational value.<sup>10</sup>

Today's hearing is focused on funding higher education because the conventional wisdom holds that better funding improves students' outcomes. But the experience at for-profit colleges is that a large share of student aid is absorbed as private profit, increased tuition aid can make colleges less affordable, and greater spending does not translate to better education or outcomes for students.

Taking this into account, New York must pair the funding policy that the legislature will establish in the coming months with an accountability policy to ensure that private, for-profit colleges -- particularly those that rely on state and federal aid for their revenue -- provide higher quality, more affordable education to students.

Passage of the "For-Profit College Accountability Act," Part E of the Education, Labor and Family Assistance (ELFA) Bill, is a key step that will allow New York to offer a high-quality alternative to the predatory growth that federal education policy will unleash.

Thank you for your consideration. Please direct any further inquiries to [cao@tcf.org](mailto:cao@tcf.org).

Sincerely,

Yan Cao, Fellow

---

<sup>8</sup> David O. Lucca, Taylor Nadauld, Karen Shen, Federal Reserve Bank of New York, "[Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs](#)," Feb. 2017, [https://www.newyorkfed.org/medialibrary/media/research/staff\\_reports/sr733.pdf](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf).

<sup>9</sup> Stephanie Riegg Cellini and Claudia Goldin, "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges," *American Economic Journal: Economic Policy* 6, no. 4, November 2014, 174–206, <http://dx.doi.org/10.1257/pol.6.4.174>.

<sup>10</sup> Lucca, et al, "[Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs](#)," ("The rationale for the price increase . . . had to do with Title IV loan limit increases") (quoting Apollo Education Group, 2007:Q2 Earnings Call).

**Testimony of Zachary Murray Hastie, Poughkeepsie Firefighter/EMT & Former Student  
at DeVry University, On His Own Behalf**

**Before the Joint Legislative Budget Hearing on Higher Education of the New York  
Senate Finance Committee and New York Assembly Ways and Means Committee**

**Regarding Part E of the Education, Labor and Family Assistance (ELFA) Bill, FY 2020  
Article VII Budget Legislation, the “For-Profit College Accountability Act”**

**Monday, January 28, 2019**

Good afternoon,

Thank you for this opportunity to provide testimony on my experience with for-profit colleges in New York.

My name is Murray Zachary Hastie. I am 38 years old and work as a Firefighter and EMT in Poughkeepsie, New York. I live in Hyde Park, New York with my wife, Heather and two children Jackson, who is 5, and Hayden, who is 3. My experiences with DeVry University led to some of the lowest points in my life -- DeVry took advantage of my status as a veteran, misled me, and left me nearly \$100,000 in debt with no degree. I trusted that my interests as a veteran and a student were being put first, but it was a mistake; the only thing DeVry cared about was that they got their money.

Recruiters aggressively targeted me as a veteran. The recruiters at DeVry were so aggressive that they enrolled me for classes and signed me up to take on student loan debt all without me knowing it. When I returned home from serving in Iraq, I looked online for schools that took GI Bill. Within hours of entering a search into my computer, I got a call from a DeVry recruiter who said he was “in the area” and could meet with me at my home the next day. At the time, I lived in Gloversville, NY -- the nearest city was Albany, over an hour’s drive away. I was surprised that the recruiter would come and visit me at my home. But he did, and by the time he left, he had enrolled me in DeVry without my knowledge.

To get my education benefits, DeVry representatives said many things that turned out to be false:

- DeVry’s recruiter said my GI Bill benefits would cover the entirety of tuition, and there would be money left over to cover living expenses. This was not true. DeVry used all of my GI Bill benefits and put me \$90,000 in debt, all before I could earn a degree.

- When I couldn't afford to attend the campus in New York, DeVry said that I could use TAP grants at their New Jersey campus, and that the program would be the same. This was not true.
- I was interested in a course to become a lab technician & work with my hands. DeVry enrolled me in an IT program, to write code. This was not what I wanted.
- DeVry said that over 90% of their graduates were recruited by school affiliates, and gave a list of Fortune 500 companies where I was certain to get a job, but I never even got to meet a recruiter about a job.
- DeVry said there would be housing and a meal plan. There was no meal plan, and I had to ration my meals. The "on-campus housing" required a bus pass I could not afford.
- The DeVry recruiter asked me to sign a document to "hold my place" because classes were filling up. I did not realize that the document enrolled me at the school.

The application was filled out nearly entirely by him as he was in my kitchen -- the only part I filled out was my name. I didn't ask as many questions as I should have, but when I did ask, the recruiters' answers made me feel silly for even asking, as if they were insulted because this was their job and they knew their job. My concerns were always met with responses that felt like genuine reassurances, but in hindsight, were just pre-rehearsed speeches led to confuse me and make me feel naive.

While I was at DeVry, I was told that I had to keep signing paperwork in order to hold my place in a class or keep my account active. Again and again, the representatives said that it was of the utmost importance to complete the paperwork quickly because classes were in high demand and they only had a certain number of places, or that if I missed a window, I could lose a class that may not be offered again for a year. They never gave me a copy of any loan paperwork. DeVry told me that GI Benefits would cover all of the costs, and I trusted them. So the whole time I was enrolled, I never knew that the school was taking out loans in my name.

Two years into my program, my mom called over Christmas and said she received a statement from Sallie Mae for over \$90,000 in student loans. I was sure it was a mistake. But DeVry said that they used an e-signature to take out debt in my name. Moreover, they said that they were closing my program before I could complete it, and tried to enroll me in another DeVry program.

This was my breaking point. I withdrew that day and walked away from the biggest mistake of my life. But the consequences and the debt are still with me.

After I left DeVry, I was very depressed. I felt like I had lost my opportunity. It took me some time to get back on my feet. Every time I tried to move forward, DeVry kept popping up.

When I tried to attend Hudson Valley Community College, DeVry requested \$500 to release my transcript. The professionals at The Albany Stratton VA Hospital had to make multiple requests until DeVry agreed to waive the fee. Months later, I received a notice in the mail that a debt with DeVry INC was in default and had gone to collections. I had been making payments on the loan I knew about, but was never even informed of this separate account.

Eventually, I received an Associate's degree in Human Services from Hudson Valley Community College and completed an EMT-B course at Dutchess County Community College, which led to my current job as an EMT. I never used the credits from DeVry. In fact, Hudson Valley does not accept transfer credits from DeVry.

The thing is, if I had enrolled at Hudson Valley to begin with, the full cost would have been covered by my GI Bill and TAP. The Post 911 GI bill assures that the cost of attendance would be covered at any state-run college. I would not have had any debt. But Hudson Valley does not pay recruiters to drive hours for house calls. DeVry does. And I thought that because they were both colleges, they would be more or less the same.

Now, it has been over 10 years since I left DeVry, I have applied for loan relief from the federal government, but for now, I'm still making payments of \$830/month – I try not to look at how much I still owe due to my mistake of trusting the recruiters from DeVry. I trusted that my interests as a veteran and a student were being put first, but it was a mistake; the only thing DeVry cared about was that they got their money.

I am here because I hope that no one else will have to go through the experiences that I did with DeVry University. It is still a huge burden and almost derailed my life.

Thank you.