Generation Progress
12866 Meeting - Office of Information and Regulatory Affairs
Department of Education Gainful Employment Regulation
June 12th, 2018

Agenda

1. The Gainful Employment (GE) Rule has been negotiated through rulemaking three times now with the most final 2016 rule being held up in a court of law twice. Dedicating significant government resources to implementing a brand new rule is not an effective use of taxpayer dollars. Implementing the rule on the books would go a long way in saving students, taxpayers, and the government money by restricting federal dollars from going to low-quality and low-performing programs.
2. The original Gainful Employment rule contained essential data reporting requirements and disclosures for students to make informed financial decisions.
3. These rules should apply exclusively to for-profit career education programs because of the financial and structural incentives that are in place at for-profits to produce low-quality vocational programs as a mechanism to suck in financial aid and tuition dollars. And given that for-profit colleges only enroll nine percent of all post-secondary students, but receive 17 percent of all federal student aid and account for 35 percent of all federal student loan defaults, this sector is driving a disproportionate share of defaults and must be held accountable.
    a. Data from the CBO's Budget and Outlook for this year show us that the federal student loan program is expected to incur a cost to the federal student loan program of $120 million a year. Just last year the CBO projected the government would generate a savings annually. The CBO says that a major driver of the increase in cost is the increase in federal student loan defaults and decreasing collections of those loans.
4. Relaxing GE regulations would have the effect of more bad actors cropping up and siphoning off value and resources from federal student aid and higher education.

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Hutison L. is a veteran and student loan borrower whose story illustrates the need for a strong Gainful Employment rule including quality disclosures from schools and a restricting of federal resources, such as GI benefits, from programs that make students worse off.

I am a 29 year old veteran of the U.S. Army. I served two years in Afghanistan and Iraq in 2008 and 2009. When I returned, I was called-up from the Army Reserve to protect commuters at railroad and bus stations in New York City. I would stand in my uniform with fellow soldiers, watching for anything unusual. During this time, I was homeless and lived in a VA shelter.

In 2012, a school recruiter started to talk to me while I was guarding Penn Station in New York City. The recruiter asked me if I wanted to go to school to work as a Heating, Ventilation and Air Condition mechanic. He said his school, the Technical Career Institute, had a 97 % job placement rate and was right next to Penn Station.

This sounded like a good idea as my life had stagnated since I came back from Iraq and Afghanistan. I signed a bunch of papers to pay the $16,000 tuition. I was told that the VA would pay for everything and that federal loans I took out would be reversed once the VA payments kicked in.

*What a mistake. The classes reminded me of afterschool day care. Students were milling about, the classrooms were overcrowded. Instructors were poorly prepared and lacked any focus. The material taught was out-of-date**. I learned little and never worked as a HVAC technician as I didn't learn enough.***

TCI never credited my VA payments against the federal loans, which it said it would do. ***Now I owe $9,000 on my federal loans. That is a third of my annual income. I work as a fork lift operator in a warehouse earning minimum wage.***

I've learned a lot about TCI through my lawyer who is trying to get rid of this debt. In 2004, the parent company of TCI sold $10 million dollars in stock to investors. One month later, the CEO and Chair of the parent company sold 80% of their personal stock holdings and pocketed $6 million dollars. In 2006, the stock of TCI's parent company collapsed. ***This was triggered when New York State stopped the company's expansion due to student complaints about crowded classrooms, poor instruction, and few jobs.***

In 2008, TCI was investigated after students complained that they somehow now owed TCI money. ***The U.S. Dep't of Education found that TCI manipulated its default rate to ensure the flow of federal loans****. TCI did so by pay off $500,000 worth of federally insured debt involving 300 TCI students. TCI hired debt collectors who hounded the 300 students. TCI also refused to release the transcripts of the 300 students until they repaid this new debt. DOE stepped in and the debts were stricken.*

TCI continued thereafter, becoming a prominent advertiser on New York City's subways. ***By 2015, 100,000 students had passed through its doors, generating $150 million in loans. But the value of a TCI education was minimal. In 2017, seven out of 13 programs failed the***

gainful employment test. TCI's repayment rate on loans was 24%, which placed it in the bottom 15% of schools whose students were repaying their debts

In 2017, TCI went out of business. But I still owe $9,000 for a year of my life that was wasted. Few days go by without my wishing I had been posted at Grand Central or the Port Authority or the Freedom Center rather than Penn Station where the TCI recruiter found me.