

April 15, 2013

The Honorable Barack Obama
President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

Our organizations, which work on behalf of students and college access, consumers, veterans, and civil rights, thank you for your determined effort to protect students and taxpayers from fraud and abusive practices in career education programs. We were deeply grateful when you stood with soldiers at Fort Stewart last year and announced new measures to curb deceptive recruiting and poor quality programs that over-charge and under-deliver.

Now that the Department of Education has announced that it will initiate new proceedings, we write to strongly urge your Administration to promptly begin rulemaking to effectively enforce the statutory “gainful employment” requirement for career education programs.

Since your Administration issued final gainful employment regulations in June 2011, new information about for-profit college fraudulent conduct, sky high tuitions, and bad student outcomes have reinforced the urgent need for a strong gainful employment rule. While there are some responsible companies providing quality programs, the latest facts, including the comprehensive report from the Senate Health, Education, Labor and Pensions Committee’s two-year investigation of the for-profit college industry issued last year, show that the problems are egregious and widespread, and certainly not limited to a handful of bad actors.

Across the country, students and former employees have emerged to provide accounts of deceptive marketing, coercive recruiting, false reporting to authorities, poor quality teaching, and illusory job placement efforts.

The effects on students are clear: More than half of the students who enrolled in for-profit colleges in a recent year dropped out within about four months, without a degree or certificate. For-profit colleges have 13 percent of the students, but 47 percent of student loan defaults. Twenty-three percent of their borrowers default on their loans within three years of graduating or dropping out.

Abuses by for-profit colleges imperil your efforts to help Americans successfully train for careers at prices they can afford. These schools have consumed as much as \$32 billion in federal financial aid in a single year, about 25 percent of all such aid. The 15 big publicly traded companies in this sector receive about 86 percent of their revenue from taxpayers. At this time of fiscal challenge, we cannot afford to divert so many scarce education dollars to programs that are wasteful and, indeed, harmful to our students. And the high dropout rate of many of these

schools imperils your critical goal that America have the highest proportion of college graduates in the world by 2020.

More than ever, we need a rule that ends federal financial aid for programs that *consistently* leave students – our veterans, working parents, and other Americans struggling to build new lives – without decent incomes and with insurmountable debt. Federal aid should only go to career education programs that effectively train students and help them build careers.

Last year a federal district judge upheld the Department of Education’s authority to issue regulations to enforce the statutory requirement that career education programs receiving federal funding, whether at for-profit, public or nonprofit colleges, “prepare students for gainful employment in a recognized occupation.” However, the judge has vacated the 2011 gainful employment regulation, finding defects in two areas. Regardless of whether the Administration appeals these rulings, nothing in the court’s opinions prevents the Administration from promptly proposing a strong new gainful employment rule. In fact, the district court confirmed the need for the regulation, concluding, “The Department has set out to address a serious policy problem, regulating pursuant to a reasonable interpretation of its statutory authority....Concerned about inadequate programs and unscrupulous institutions, the Department has gone looking for rats in ratholes — as the statute empowers it to do.”

The data that the Education Department published last year under the 2011 rule demonstrate precisely why a strong gainful employment rule is so urgently needed: 65 percent of the programs failed at least one of three minimal tests aimed at protecting students, and five percent—193 programs at 93 different for-profit colleges—failed all three tests. While the 2011 rule was not as strong as we believe was appropriate, the threat of real sanctions under the final rule has already helped prompt some of the biggest for-profit colleges to eliminate some of their worst programs, freeze their tuition costs, and make some reforms, like giving students trial periods before banking their tuition checks. Without an effective gainful employment rule, these modest changes might well be reversed.

Today, as a result of government and media investigations, there is much stronger public awareness of abuses in the career education sector, as compared with just a few years ago. Public anger is growing that taxpayers are subsidizing an industry rife with a toxic mix of misleading sales tactics, unmanageable student debts, low completion rates, high CEO pay, and growing evidence of fraud.

The Justice Department, Securities and Exchange Commission, and Consumer Financial Protection Bureau are all now investigating misconduct by for-profit colleges. A bipartisan group of 32 state attorneys general is cooperating to investigate and combat fraud and other unlawful actions by companies in this sector.

We also see a growing number of Members of Congress who are strongly committed to standing with their constituents – constituents who themselves have been abused by for-profit colleges or are simply taxpayers who cannot understand why their money is subsidizing these companies. These Members of Congress are committed, as you have been, to providing leadership on making college more affordable and rooting out waste, fraud, and abuse.

Remarkably, big for-profit colleges continue to resist meaningful reforms. The industry has devoted millions of dollars to lobbying and litigating to weaken and block your Administration's rules to hold bad actors accountable. It would be a tragedy for students and taxpayers alike if they were allowed to prevail.

We ask for your renewed leadership at this critical time to promptly issue a strengthened gainful employment rule and take other steps to enforce current laws and improve higher education and career opportunities for all Americans. We and our members and supporters across America will work with your Administration to get this critical job done.

Sincerely,

Air Force Sergeants Association (AFSN)
American Association of University Women
(AAUW)
American Federation of Teachers
Americans for Financial Reform
Association of the United States Navy (AUSN)
Campus Progress Action
Center for Law and Social Policy
Center for Public Interest Law
Center for Responsible Lending
Children's Advocacy Institute
Consumer Action
Council for Opportunity in Education
Crittenton Women's Union
Initiative to Protect Student Veterans
Iraq and Afghanistan Veterans of America
(IAVA)
The Education Trust
The Institute for College Access & Success
The Leadership Conference on Civil and
Human Rights
League of United Latin American Citizens
Mississippi Center for Justice
NAACP
National Association for Black Veterans, Inc.
(NABVETS)

National Association for College
Admissions Counseling
National Consumer Law Center (on behalf
of its low-income clients)
National Consumers League
National Education Association
The National Guard Association of the
United States (NGAUS)
NCLR (National Council of La Raza)
Neighborhood Economic Development
Advocacy Project
NYPIRG
Paralyzed Veterans of America
Public Advocates Inc.
Public Citizen
Rebuild the Dream
Returning Veterans of America
Service Employees International Union
United States Student Association
U.S. PIRG
Veterans Education Success
VetJobs
VetsFirst, a program of United Spinal
Association
Vietnam Veterans of America
Young Invincibles

cc:

Hon. Arne Duncan, Secretary of Education
Hon. Cecilia Muñoz, Director, White House Domestic Policy Council
Hon. Gene Sperling, Director, White House National Economic Council
Hon. Jeffrey Zients, Acting Director, Office of Management and Budget