A BITTER PILL

Gainful Employment and Credentialism in Healthcare Support Fields

Findings from the Gainful Employment Data, Website Disclosures, and a Focus Group of For-Profit College Borrowers

Robin Howarth, CRL Senior Researcher
Whitney Barkley, CRL Senior Policy Counsel
Robert Lang, CRL Intern

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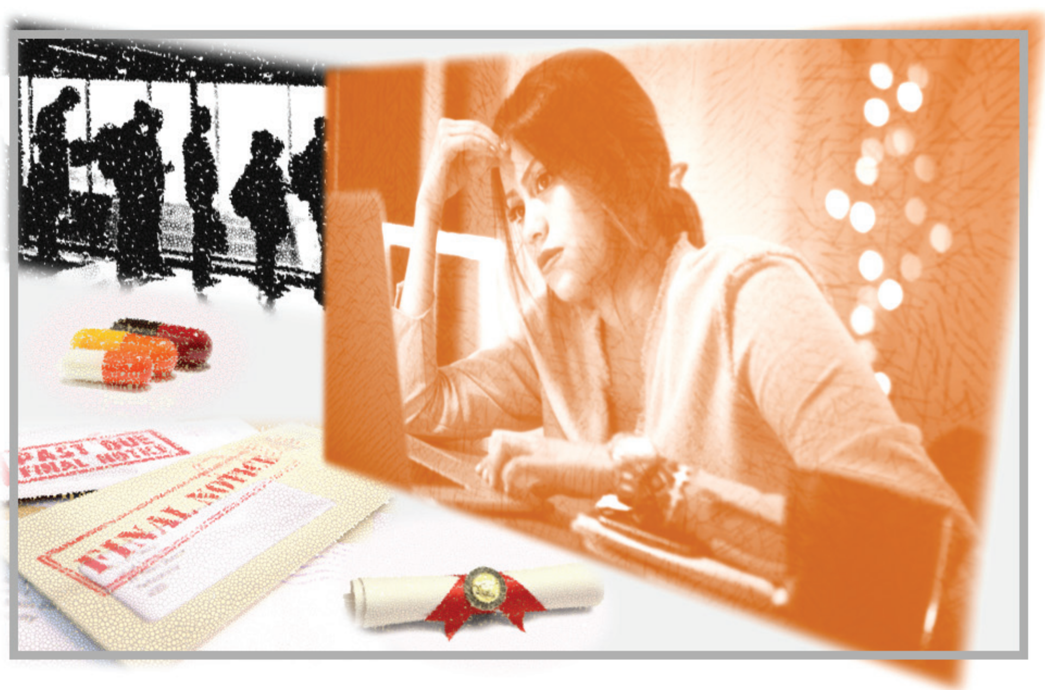

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Executive Summary

The marketing of for-profit colleges is ubiquitous, yet student outcomes are consistently poor. These outcomes include high dropout rates, low and unstable earnings of graduates, and heavy debt burdens that students are unable to repay, often resulting in default and ruined credit. The reliance of for-profit colleges on federal student aid dollars compounds these harms and fuels these poor student results.

Over the last decade, for-profit colleges have been subject to numerous investigations in the media and at both state and federal levels for fraudulent financial aid programs, predatory recruiting practices, and misleading statements about student outcomes. In 2015, the U.S. Department of Education put in place important protections known as the Gainful Employment (GE) Rule. The GE Rule increased the accountability of for-profit and other career training programs to both students and taxpayers by linking institutional eligibility for federal Title IV dollars to program-level measures of student outcomes: specifically, the relationship of typical student debt burdens to earnings levels.

Despite the promise of the GE Rule to improve student outcomes and safeguard taxpayer investment in federal student financial aid, over the last year the Trump administration has bowed to pressure from for-profit colleges, rolling back the GE Rule along with other accountability regulations in higher education and student lending. As such, this paper looks at the potential toll on students and their families that could result from these rollbacks, focusing on a popular set of programs offered by for-profit colleges: those in the healthcare support fields.

Key findings include:

- Healthcare support programs at for-profit schools are less likely to provide positive employment outcomes relative to student debt levels than similar programs at public schools. 83% of the for-profit healthcare support programs included in this study (certificates or associate's degrees) scored poorly in the first release of GE national data on programmatic student debt and earnings, compared to only 11% of public programs.

- Attendees of for-profit healthcare support programs face very high tuition and fees that are typically covered by borrowing. Website examples of disclosures for Florida for-profit programs like those attended by the study's focus group participants show tuition and fees of over $17,000 for a typical 11-month healthcare support program.

- Schools advertise graduate earnings in a way that causes confusion for potential students. Website landing pages for these for-profit programs link to both Bureau of Labor Statistics occupational earnings data and GE program earnings data specific to that school. Specific GE program earnings are substantially lower than average and result in unsustainable debt loans for graduates of those programs.

- Focus group results of healthcare support graduates of for-profit colleges in Florida confirm the financial devastation wrought by having attended and invested heavily in these programs. These details include disappointment in not being able to find full-time employment sufficient to make any progress repaying student debt, inability to cover typical family living expenses or access credit to buy a car or home, and despair and cynicism about the prospect for better financial prospects for their children—coupled with a determination that they avoid for-profit colleges for their education.

Based on these findings, we urge that strong protections be restored at the federal level and that states step up their efforts to protect students as well. States have an important role to play in regulation, oversight, and enforcement. This report's recommendations focus on what states can do, including:

- Require that for-profit colleges meet certain performance metrics. These should be focused on student debt metrics (repayment and default) and employment outcomes (job placement and earnings levels relative to debt loads).
- Prohibit the use of state-based student aid dollars for attendance at for-profit colleges.
- Require for-profit colleges to spend more on student instruction. In 2012, a congressional investigation into the nation's 30 largest for-profit schools found that, on average, for-profit colleges spent just 7% of revenues on instruction, while much more was spent on marketing. States should require that at least 50% of student dollars be spent on instruction and no more than 15% be spent on advertising.
- Protect students from steering and other predatory lending abuses. States should make it illegal for schools to steer students into unaffordable loans, particularly where the for-profit college has a financial incentive in making those loans and students have other options.
- Require that for-profit colleges avoid enrolling students in programs for fields where they will be ineligible for employment. States should not allow for-profit colleges to enroll students in programs that are not accredited for a field that requires that accreditation for licensing. Neither should states allow for-profit colleges to enroll students who will not be legally employable in their chosen field because of a criminal conviction or other factors. Last year, Maryland took the step to make this happen. Other states should follow.
- Repeal laws that revoke the occupational licenses of student loan defaulters. These laws are counterproductive and often fall hardest on students who took out high amounts of debt to attend for-profit programs.
- States should require that student loan servicers are licensed and regulated. Our focus group research shows that students are often poorly served by servicers who place them in inappropriate repayment programs and improperly apply payments, among a number of other problematic practices.
- States should ensure robust student tuition reimbursement funds. A number of our focus group participants attended schools such as ITT Technical Institute that were subsequently closed. Those borrowers deserve to have their loans reimbursed, so that the predatory behavior of a school does not become a life-long financial burden.

Introduction

Healthcare support programs, such as medical assisting, pharmacy technician, and medical billing and coding, are growing in popularity, with students seeking to improve their financial future through career training. For-profit colleges represent the dominant share of these programs. Their advertising and recruiting present visions of opportunity open to those with a healthcare credential: graduates will be job ready and qualified after a relatively short course of study, followed by fulfilling, well-paid careers. Students attending these for-profit programs have largely believed these college representations and are willing to borrow heavily for tuition, fees, and living expenses under the assumption that their investment of time and money will pay off.

Title IV Federal Aid administered by the U.S. Department of Education represents approximately half of student aid awarded annually in the U.S. and includes federal grants (Pell, FSEOG, and others), federal Direct Loans (subsidized, unsubsidized, plus, and consolidation) and work-study.[1] Title IV of the Higher Education Act of 1965 and multiple later amendments specify both the administrative structure of federal student aid programs and requirements for institutions accepting Title IV aid. These requirements include maintaining recognized accreditation and the reporting of institutional quality and operations.[2] For-profit colleges rely heavily on the Title IV aid that their students bring, with 10 of the largest 11 for-profit colleges receiving just under 70% or more of their revenues from this source.[3] When including military student aid (Department of Defense and Department of Veterans Affairs), revenue shares from federal aid sources for five of these schools rises to 90% or more.

The U.S. Department of Education has a strong role to play in ensuring that the expectations of career training students for a brighter earnings future are met, given that Federal Title IV student debt outstanding for attendance at for-profit schools totals $243 billion (YE 2017).[4] Despite the recent reduction in the number of for-profit institutions eligible for Title IV aid[5], the for-profit sector continues to enroll a sizable number of Title IV eligible students: just under 1.5 million, or 7% of all enrollment at Title IV schools.[6] This enrollment share grows considerably for certain financially vulnerable student populations, including low-income, African-American, and female head of household students.[7] For-profit colleges are known to target these lower-income, often non-traditional students, because they qualify for substantial Title IV federal grant and loan aid.[8] In fact, for-profit colleges have been subject to numerous investigations in the media and at the state and federal level for fraudulent financial aid programs, predatory recruiting practices, and poor student outcomes.[9] These poor outcomes include low graduation rates, low and unstable earnings, and inability to repay student loans, which often results in default and ruined credit.

In 2012, Senator Harkin and the U.S. Senate Committee on Health, Education, Labor, and Pensions released a report detailing many of these practices and outcomes at the largest for-profit colleges.[10] In response, the U.S. Department of Education under the Obama administration undertook an effort to increase accountability of for-profit and other career training programs through enacting the GE Rule. The provisions of the GE Rule are discussed in greater detail below, but their basic purpose is to link institutional eligibility for Title IV aid to program-level measures of student outcomes: specifically, the relationship of student debt burdens to earnings levels. The first round of such measures was released in January 2017 and showed that over 2,000 programs, the vast majority of them for-profit, were in danger of losing Title IV eligibility if improvements were not made over a period of two to three years. Healthcare support programs figure prominently in these endangered programs as discussed in the findings section of this report.

Despite the promise of the GE Rule to improve student outcomes and safeguard taxpayer investment in federal student financial aid, the Trump administration has taken steps to delay and undermine GE and other accountability regulations in higher education and student lending. Delays in implementation and the undertaking of a new negotiated rulemaking process in an effort to weaken oversight of the for-profit college industry threaten much of the progress made to date in reigning in the worst actors. States have long been recognized as an important part of the higher education regulatory triad (U.S. Department of Education, states, accreditors). States can and must use their legal authority in regulation, oversight, and enforcement to safeguard students in the face of weakening federal protection. A number of specific recommendations for states are included at the end of this report.

Given the potential dangers inherent for students in a resurgent, unfettered for-profit college industry, and the taxpayers' funds at stake, it is critical to maintain a close watch on continued shortcomings by for-profit schools. This report brings to bear new evidence of poor student outcomes highlighting the healthcare support credentials that are so widely offered by for-profit schools. Our methodology includes:

- Comparing the GE annual earnings and debt service metrics for graduates of healthcare support programs between for-profit, public, and private programs;
- Examining typical program costs, student borrowing levels, and earnings presentations for healthcare support programs on the websites of two for-profit colleges[11]; and
- Conducting a focus group of for-profit college students that borrowed to attend healthcare support programs to explore questions around student background, decisions to pursue a degree in the medical field, costs and borrowing, educational quality and employment outcomes, and post-college financial outcomes.

Background

For-profit schools market themselves as meeting the growing demand for educational credentials as on-the-job training becomes less common.

The backdrop of students pursuing short-term credentials in the healthcare field is a labor market characterized by risk shifting from employer to employee. Long-standing employees formerly could receive on-the-job training to upgrade skills, thereby preserving or advancing their positions in the workplace. Since the early 2000s, however, on-the-job training programs in many industries have declined, often replaced by requirements for outside credentials at substantial cost of time and money to the employee.[12] Similarly, college credentials are a bare minimum requirement for young adults with little job experience who wish to pursue entry-level, lower-skilled healthcare jobs that were formerly open to high school grads.

This risk shifting phenomenon has been carefully documented by Professor Tressie McMillan Collum who compellingly draws its connection with the growing dominance of for-profit colleges in on-demand credentialing.[13] These colleges have been very successful at extracting revenue from low- and middle-income students seeking credentials. These students, by necessity, borrow heavily from the federal government to finance the high-cost tuition of these career education programs. Results across our nine focus groups strongly reinforced McCollum's findings of the downstream effects of credentialism in relatively low-skilled employment in healthcare and other fields. Our largely adult group of students reported that the for-profit institutions they attended took advantage of the lack of time and inclination to "shop" for the best college program using reasoned cost-benefit analysis. Rosy scenarios presented by for-profit colleges and the convenience of immediate, frictionless enrollment easily outcompeted dry disclosures of wage levels and debt service costs.[14]

Thus, institutional accountability, beyond student disclosures, has a key role to play in the face of overwhelming market forces in employment and career education, the constrained choice set of colleges serving adult students, and the risks of heavy student debt loads relative to earnings potential. The GE Rule is one such accountability measure that has been shown effective in encouraging colleges to close their weakest programs: those leaving students with heavy debts and poor employment outcomes.[15]

The Gainful Employment Rule establishes standards for career training programs.

The GE Rule was finalized in mid-2015 by the U.S. Department of Education in response to a long demonstrated need to increase the accountability of career training colleges who had saddled hundreds of thousands of students with unsustainable debt—and taxpayers with losses in the billions due to delinquent and defaulted student debt. The rule, negotiated over a two-year period with ample opportunity for input from all impacted stakeholders, established standards for affordable college career training in relation to expected earnings in a recognized field, i.e., "gainful employment." These standards included improved disclosures but went further in flagging programs that saddled students with too much debt in relation to the value of their credential in the marketplace. Although an in-depth discussion is beyond the scope of this paper, it should be noted that the standards set forth in the 2015 GE Rule are supported by extensive literature on what constitutes over-indebtedness for student borrowers (much of it based on traditional mortgage underwriting).[16]

In its simplest form, covered programs, including most for-profit programs and certificate programs at public and private nonprofit schools, must demonstrate that the typical graduate's annual student debt service to reported annualized earnings does not exceed 8% or debt to discretionary earnings does not exceed 20%.[17] Certain sanctions, including the loss of federal aid eligibility, will apply to programs that miss both standards by a substantial margin over a two- to three-year period.

Recent academic research shows poor employment and earnings outcomes of for-profit certificate students.

What are the actual labor market outcomes for students who attended for-profit institutions compared to those at nonprofit institutions, as well as to those not even seeking a post-secondary education? In the most comprehensive study examining student earnings outcomes at for-profit institutions to date, researchers Stephanie Cellini and Nicholas Turner answered this question.[18] These authors merged data obtained from the U.S. Department of Education that included all certificate-seeking students funded by a federal loan who exited a postsecondary institution between 2006 and 2008 with tax data from the Internal Revenue Service in order to examine the actual labor market outcomes of these students (rather than relying on self-reported data).

Matching the students across the sectors on demographics (marital status, gender, number of children, age), prior earnings, program of study, and location, the authors found that certificate-seeking students who attended for-profits experienced lower annual wages by about 11%, compared to their public-sector counterparts. These results were substantially worse for female students (who notably make up a majority of students in healthcare certificate programs) and those enrolled in online programs. Pertinent to our focus on healthcare support, the top five worst performing program types in terms of absolute annual earnings differentials were health diagnostics (-$6,021), dental support (-$3,736), practical nursing (-$2,370), health and medical assisting (-$1,165), and health administration (-$1,140).

Further, factoring in differential effects of the Great Recession, the authors also found that for-profit certificate-seeking students experienced a net *decline* of over $1,000 from their earnings prior to enrollment. Perhaps most troubling, there was no difference in earnings or probability of employment between students who attended a for-profit school and those who never sought a post-secondary credential. In other words, students attending a for-profit institution of postsecondary education for a certificate-level credential would be better off not having attended any postsecondary schooling, particularly when factoring in the substantial debt attached to such enrollment.

Gainful employment data: What does it reveal about healthcare support programs?

For-profit colleges dominate healthcare support training.

Table 1 below reflects the prevalence in the GE data of seven types of health support (HS) programs that are included in our study. There are 1,654 HS programs, 19% of the 8,637 total Title IV eligible programs in the GE data. Overall, 74% of HS programs were based at for-profits colleges, 20% at public colleges, and 6% at private nonprofits.[19]

Table 1. Gainful employment healthcare support program type (certificate or AA)/enrollment rank/number of programs

HS program type	Student enrollment rank, within all GE programs	Number of GE programs	% of programs that are for-profit
Medical/clinical assistant	1	544	72%
Massage therapy/ therapeutic massage	5	303	86%
Dental assisting/assistant	7	237	61%
Pharmacy technician/assistant	9	182	70%
Medical insurance coding specialist/coder	12	153	66%
Medical office assistant/ specialist	13	133	84%
Medical insurance specialist/ medical biller	>15	102	87%
Total	N/A	1,654	74%*

*Weighted average.

Source: Enrollment ranks calculated by CAP from the GE data, see: https://www.americanprogress.org/issues/education-postsecondary/news/2017/01/13/296599/5-things-to-know-about-new-data-on-career-training-programs/. GE program counts and % for-profit from CRL analysis of GE data, downloadable debt-to-earnings spreadsheet, for 2014–15 graduates, see: https://studentaid.ed.gov/sa/about/data-center/school/ge.

The debt-to-earnings performance of typical healthcare support graduates is far worse at for-profit programs compared to public peer programs.

The GE Rule evaluates programs based on two measures: (1) annual debt service divided by reported annualized earnings (ADTE) and (2) annual debt service divided by discretionary earnings (DDTE).[20] Table 2 shows how HS programs perform on these debt-to-earnings measures that are the crux of the GE Rule. The authors' calculation of the mean average reported annualized earnings for all seven types of healthcare support (HS) programs was $18,689 based on the GE data provided (2014–2015 school year graduates).[21] The GE data show that 156 of the 1,654 HS programs resulted in annual debt service that exceeded 12% of borrower's *reported annualized* earnings ("ADTE Fail") and a further 318 programs were in the problematic "ADTE Zone" range of 8% to 12% of borrower *reported annualized* earnings. Even for the remaining 1,180 programs, where annual debt service was less than 8% of *reported annualized* income ("ADTE Pass"), 55% or 654 programs reported an annual debt service burden that exceeded 30% of *discretionary* income ("DDTE Fail"). Tellingly, of the 1,128 programs that were either ADTE Fail, ADTE Zone, or ADTE Pass but DDTE Fail, 1,013 were *for-profit* programs, or 90%. This share is even more skewed if one counts as for-profits several colleges which very recently converted from for-profit status to nonprofit (private) status (various Everest brands and Ultimate Medical), upping the share to 95%.[22]

Table 2. Healthcare support program counts by college type and gainful employment debt-to-earnings outcomes

College type	ADTE Fail	ADTE Zone	ADTE Pass but DDTE Fail	All remaining programs	Total all programs	Failure/zone rate*
For-Profit	152	278	583	212	1,225	83%
Public	0	1	35	290	326	11%
Private	4	39	36	24	103	77%
Total	156	318	654	526	1,654	66%[23]

*Percent of all programs for this college type that are either: 1) in the ADTE Fail or Zone category or 2) ADTE Pass but DDTE Fail.

Source: GE program counts by college type and debt-to-earnings measures from CRL analysis of GE data, downloadable debt-to-earnings spreadsheet, for 2014–15 graduates, see: https://studentaid.ed.gov/sa/about/data-center/school/ge.

Florida for-profit college website disclosure examples

Typical costs of a healthcare support program at a Florida for-profit college are high and far exceed typical grant aid.

A number of our focus group participants, including several in the HS focus group, attended Florida Technical College (FTC), a for-profit college that currently reports six Florida campuses on its website, as well as a number of online-only and online/campus hybrid programs. A review of FTC's website shows that the cost of attending the school is extremely high, typically requires debt financing, and that typical earnings are insufficient to support the resulting debt. Figure 1 shows a clip of the net price calculator on FTC's website for the typical cost of attendance in terms of both tuition and fees as well as "room and board"[24] for a 30-year-old independent student with no children.[25] The information shown is for the "Allied Health and Medical Assisting Services, Other" certificate program with a usual full-time duration of 11 months. The net price[26] faced by this typical 30-year-old student after $5,802 in grant aid (presumably mostly consisting of Pell Grants), was $29,006 for the 2015–2016 academic year, including $17,439 in tuition and fees. A positive net price must be financed through a combination of the student's own funds, federal subsidized and unsubsidized loans, and other debt sources.

Figure 1. Florida Technical College website net price calculator

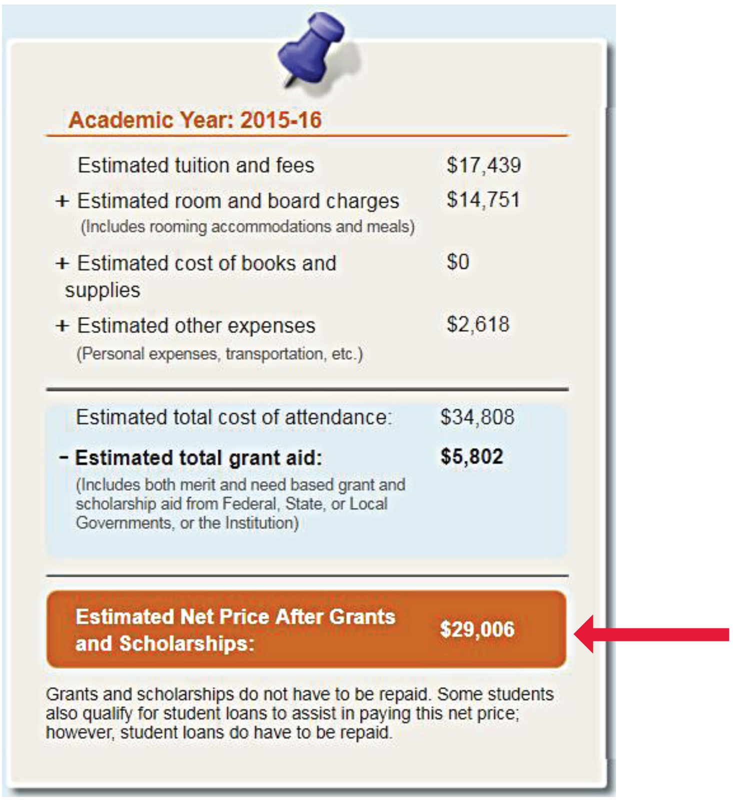
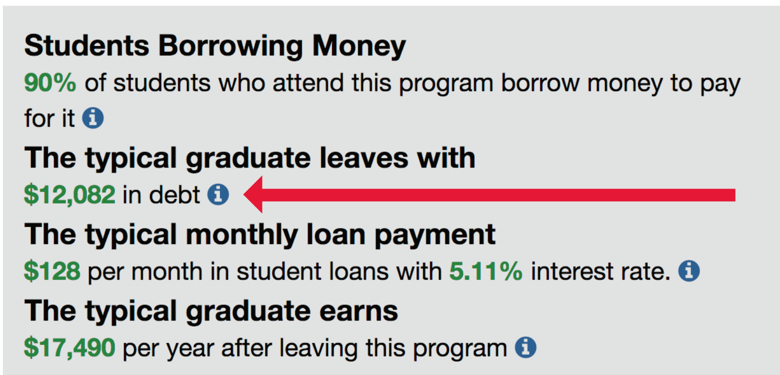


Figure 2 shows a clip from FTC's website with GE consumer disclosures about typical student debt and earnings for this program at FTC.[27] The typical student leaves this program with $12,082 of student debt and earns $17,490 annually. Annual debt service for this typical student is $128 monthly or $1,536 per year. Although not included in this disclosure, the GE data show discretionary earnings for this program (earnings left over after paying for essential living expenses) are $0, leaving nothing available to apply to the $1,536 in annual debt service.[28] Hence, the data clearly indicate an untenable relationship between the very high costs of attending this program at FTC and the likely earnings profile of a graduate.

Figure 2. Florida Technical College website student consumer information



Advertising for Florida for-profit schools often puts Bureau of Labor Statistics (BLS) earnings data front and center.

One of the major provisions of the GE Rule is the requirement that schools disclose the Gainful Employment Reported Annualized Earnings (and debt levels) of their graduates on their website. While for-profit schools may technically comply with this requirement, they often place Bureau of Labor Statistics (BLS) national data in a far more prominent location and then downplay program-specific data, resulting in the potential for prospective students to assume much higher earnings than most students in the program achieve several years out from graduation. This was in fact borne out in our focus groups, where participants stated they were often handed BLS data when they asked about salary levels for typical graduates and were later shocked to discover that their earnings were far lower. Figure 3 shows a clip from the landing web page for medical assistant programs at the American College for Medical Careers, a school with several Florida campuses and another one of the schools that focus group participants attended.[29]

Figure 3. American College for Medical Careers website program information linking to Bureau of Labor Statistics

Medical Assistant

Help people and restore patients' health

Checking out Medical Assistant Programs? Becoming a Medical Assistant is a great start to a rewarding career.

ACMC's Medical Assistant training program is ideal for students who have a high school diploma or equivalent and who wish to enter the allied health field.

We will fully prepare you to succeed as a Medical Assistant, treating patients, assisting doctors with procedures, performing laboratory tests, and functioning as a crucial member of the team.

Our Medical Assisting program features online learning, classroom instruction, and hands-on training in the lab to provide you with a comprehensive education and valuable real-life experience.

Diploma Program: (9-Month Day Program | 16-Month Evening Program)
Associate of Science Degree: (17-Month Day | 24-Month Evening Program)

Since the US Bureau of Labor Statistics expects the opportunities for Medical Assistants to grow by 23% from 2014 to 2024 – "much faster than average" – now is the time to get started on your new career!

Clicking on the prominently displayed US Bureau of Labor Statistics gold-colored text yields the chart shown in Figure 4 clip with national-level data from the BLS Occupational Outlook Handbook[30]:

Figure 4. American College for Medical Careers website linking to Bureau of Labor Statistics Occupational Outlook Handbook information

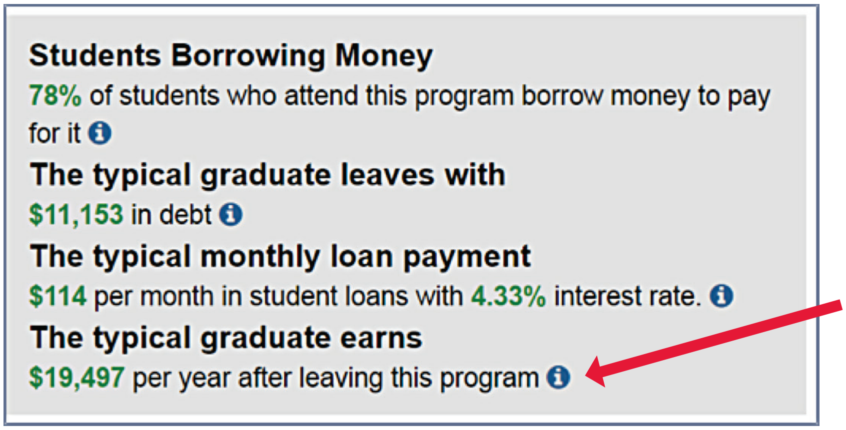
Medical Assistants

Summary

Quick Facts: Medical Assistants	
2017 Median Pay	$32,480 per year $15.61 per hour
Typical Entry-Level Education	Postsecondary nondegree award
Work Experience in a Related Occupation	None
On-the-job Training	None
Number of Jobs, 2016	634,400
Job Outlook, 2016-26	29% (Much faster than average)
Employment Change, 2016-26	183,900

In order to find out what American College for Medical Careers graduates actually made per the most recent Gainful Employment Data, the visitor to the Medical Assisting landing page on the school's website must go to the small print at the bottom of the page, click on the link to "Student Consumer Information," and scroll down that web page to the "Program Information, Medical Assisting-Certificate" link, which yields the information shown in Figure 5 clip.[31]

Figure 5. American College for Medical Careers website student consumer information



Students Borrowing Money
78% of students who attend this program borrow money to pay for it

The typical graduate leaves with
$11,153 in debt

The typical monthly loan payment
$114 per month in student loans with 4.33% interest rate.

The typical graduate earns
$19,497 per year after leaving this program

Note the BLS median earnings are over 1.6 times that of typical actual graduates of this school, a difference that cannot be explained away solely by regional variation or average time from graduation but speaks to differences in earning power of the for-profit credential consistent with the Cellini and Turner findings discussed earlier.

Takeaway from the gainful employment data and college website example disclosures

In summary, the GE data indicate that the vast majority of these healthcare support programs that are offered at for-profit colleges do not pay off for graduates who must finance their educations with debt. A drill-down of the data from the website presentations of typical programs at two of the colleges that our focus group participants attended, Florida Technical and American College for Medical Careers, shows why this is so: 1) very high costs of attendance, especially if living costs are factored in; 2) relatively low amounts of grant aid to help cover these costs; and 3) high borrowing requirements to cover the balance, coupled with poor earnings outcomes, which result in an inability to service debt.

Focus group results

Do the grim findings from the GE data hold up when you talk to for-profit graduates in these HS fields? What were these students told by college admissions and financial aid officers? How did focus group HS program graduates fare in the job market and in repaying their debt after leaving school?

CRL sought to answer these questions by convening nine focus groups (75 participants in total) in May and June of 2017 in Orlando, Florida. The focus groups were composed of for-profit college students that had borrowed for their education and entered the repayment period for one or more of these loans. The purpose of the research was to hear directly from students on their experiences choosing, enrolling in, and attending for-profit colleges; finding a job after leaving college; and taking out and repaying their college loans. One of these focus groups was formed for attendees of for-profit Healthcare Support programs: specifically, participants that had pursued certificates or AA degrees for medical assisting, medical office assisting, billing and coding, pharmacy technician, certified nurse assistant, massage therapy, and the like.

Composition of focus group: Our focus groups were recruited by a third-party, experienced focus group firm in Orlando without regard to students' satisfaction with their for-profit education or their employment outcomes. The requirements for participants centered on the following screening criteria: attendance at a Florida for-profit college, borrowing for that attendance, completing or withdrawing from the program no less than two years prior, and being technically in repayment. In addition to participating in the approximately two-hour focus group, participants were asked to complete two brief surveys of five to 10 minutes in total at the end of the session. These surveys, the Consumer Financial Protection Bureau (CFPB) Financial Well-Being Survey and a CRL-designed survey on credit usage and savings are mentioned briefly in the three participant profiles of Brianna, Hailey, and Elena in this report.[32]

The 11 focus group participants in the Healthcare Support focus group all happened to be female, with seven of these mentioning that they had preschool or school-aged children at home and two additional mentioning grown children. Other background features that were revealed in the session included first-generation student status (two participants), foreign-born (three total participants from Venezuela, Iran, and St. Nevis), and one Puerto Rican-born participant.[33] Screener information revealed the following breakdown by race and ethnicity: African-American (two), Hispanic (four), and White (five).

Ten of the 11 participants reported completing either a certificate or AA degree, with the eleventh dropping out (citing expense of the program). Programs included medical billing and coding (two participants), medical assisting (five participants), pharmacy tech (two participants), massage (one participant), and unspecified healthcare support (one participant). Colleges attended included ITT Tech, Everest, Florida Technical College, Fortis, Florida College of Natural Health, and American College for Medical Careers.

Healthcare support focus group discussion. Responses of our focus group were organized around four basic themes: 1) choice to pursue an HS program at a for-profit school; 2) experience in enrolling, applying for financial aid, and completing the program; 3) employment outcomes; and 4) debt repayment and financial stability.

Program and school choice: An overarching theme emerged in discussion of the choice of HS as a field: the need to "get serious" about the future by pursuing career education that would result in more financial stability, the ability to provide for children, and breaking the cycle of low educational achievement that characterized the family background. The healthcare field itself was cited as attractive often for very personal reasons: understanding more about sick family members, a love of science, something you dreamt of doing as a child, or always wanting to work with people.

…. when I went to school, it was family motivated. It was similar to Hailey's situation—most people (In my family) haven't graduated from high school. My mom graduated from high school years after becoming pregnant at an early age. So, for me it was more of: I have to go to school so that I can break the cycle that's going on in my family, so I can be an example to my brothers and sisters, being the oldest. I just saw how much my Mom struggled getting jobs as we grew up. (June)

I felt like going to school was a requirement—like times have changed now. Back in the day, you didn't need an education, but now the jobs that you didn't need education for really aren't paying enough to survive off of. In order to move forward with your life, to do good for your family, it's a requirement, especially if you have any type of aspiration for a specific field or job placement. (Linda)

I pursued a Medical Assistant degree because I wanted something I could pursue in the long run, something that I would love. I had a son with medical issues and wanted to know more about it. Everybody in my family has something wrong with them medical-wise. My mom has MS and my grandma died from it. (Sara)

The majority of participants agreed that in today's job market, you would not get your "foot in the door" without a higher education credential, even if you have experience. Almost every participant also cited the perceived connection between a credential and the ability to improve their standard of living afterward. Finally, several participants talked about their long-term dreams of greater financial independence and control that a credential in the healthcare field might facilitate. Massage credentialing, for example, might allow one to eventually start one's own business. This entrepreneurial urge came from several sources: a small business ethic in their immigrant community or country of origin, the desire to balance work and family obligations, and a belief in their own ideas and ability to flourish, given greater autonomy.

Participants' choice of a for-profit school specifically centered on low-barrier access, ease of enrollment and financial aid application, compelling advertising and outreach on the part of schools, and the perceived stamp of approval from accreditation.

They are like high-pressure salesman, they sell you this big story, this dream…. well you know, you will love this field, and this is for you. (Ashley)

I had no GED or high school diploma and had seen the commercial on TV—no high school diploma? Get off your butt, get off the couch! (Elena)

You hear the commercial "be a medical biller!" I can see how people get sucked into that—but it's not what they tell you it's going to be. They sold you the dream, 11 months and get a job making decent money—great. You are going to graduate, and all of our professors are going to give you all these tools to have this job and have this future. (Hailey)

The accreditor organizations tell you that you are going to come out and you are going to make this much money in your area, but reality is not near close to what they tell you. (Yasmin)

I started looking at different schools, and I chose a couple that were closest to me. I actually went with the one that offered the most [financial aid]. (Ashley)

That's the allure of the technical school; you don't have all these prereq classes. (Hailey)

Technical schools basically feed off of people who don't make as much money but want to better themselves. They feed on that and they feed on your dream. And a lot of people are not getting into a university. (Ashley)

Note also, as previously mentioned, that the sheer availability and lack of selectivity of for-profit programs in the Healthcare Support space was undoubtedly a factor in student choice (74% of the seven types of HS programs are located at for-profit schools as shown in Table 1). One participant alluded to this, saying she wanted her children to study hard, so they could go to a "good" school, not one of the "pop-up" for-profits like she had attended.

Participant profile 1: Hailey

Hailey is a 29-year-old White female who currently works for an auto insurance company as a medical coder in Orlando. With no one else in her family having previously gone to college, she did not have much awareness of how a postsecondary education could help her until she became pregnant with her son. Hailey reported that this event brought new significance to having a career with a stable source of income: "Now I have someone else that is going to depend on me." Although she had done some coursework for a non-specified associate's degree, Hailey decided to go to a Florida Technical College aiming to land a job in the medical profession by enrolling in an 11-month medical billing program with no prerequisites. Medical billing and coding was not her passion, but she saw it as a job "making decent money," describing the recruiters for the school in retrospect as "super bogus—they would sell you the dream and it was very flashy [. . .] that you are gonna go and have this amazing job." And though she did like her professors, when asked whether the school prepared her for the certification exam in medical coding, she responded, "Absolutely not."

Though she enjoys her job at the insurance company, she reports having been on deferment or forbearance with her student loans for the past eight years (presumably adding interest costs to loan balances along the way). She explained that the allure of going to a for-profit school like Florida Technical College was that students can land a good job without the burdensome course load of a state school. But she reflects that "you don't get what they promise you" as far as the "financial aspect of it." Though she is committed to starting an income-based repayment plan in the months following the focus group, she explains that she does not feel like she has a $70,000 education in terms of both the quality and in terms of its value in the labor market: "Because to my employer I am not worth 70,000 dollars [. . .] I know what I signed up for, I know that I have to pay it and I'm gonna pay it. But it pisses me off. Because these interest rates and the way that they get you—it's not about our education, it's not about the tools we are given to succeed in this world. It's about making money. And they are the ones making money—not us."

She hopes to one day move up to a position financially where she could become a homeowner and begin to save for her son's education. The prospect of getting there, however, seems remote if not impossible, with the interest she is paying on both her student loans and her car loan (the rate for the latter she chose not to divulge, only saying that it is "ridiculous"). She describes her financial situation as "this circle where you are treading water and maybe one day you will be able to swim, but who the hell knows." She says because her debt-to-income ratio is "awful," and she is not able to purchase a house or car with an acceptable interest rate. Looking to her son's future education, she will tell him that he does not "have to go with the first thing that sparks your interest—this dream" (recalling the recruitment tactics of Florida Technical College).

Hailey's responses to two short surveys administered following the focus group confirmed her unstable financial condition. On the first survey, the CFPB financial well-being survey, Hailey scored a 40, substantially below the nationwide average of 54. The CFPB reports that a score below 50 is associated with a high probability of struggling to make ends meet and of experiencing material hardship. A second survey designed by CRL about credit product usage and practices showed that Hailey resorted to payday loans and bank overdrafts to get by and had also been contacted by debt collectors.

Educational and employment outcomes: Although several participants enjoyed the content and teaching of some of their coursework, the general response to the question "Did the credential help you move up in the world?" was "No, not at all." Factors in this dissatisfaction included lack of relevant or working equipment for hands-on learning and demonstrations, staff turnover, poor quality (for instance, instructors handing out answers to the test ahead of time), bait-and-switch tactics in offering financial aid, lack of meaningful internship or externship placement, and poor preparation for the certification tests required to practice in the respective HS field. Despite these issues, 10 out of 11 participants completed their programs, and most eventually passed their certification tests—although the consensus in the group was that substantial additional self-study was required after leaving school.

Given that completion or certification itself was not an impediment to success among our group (unlike several of the other focus groups of for-profit students we questioned, particularly online and bachelor's degree students), it was disheartening to hear that by far the primary reason why students did not "move up in the world" with their new credential was disappointing employment outcomes. Promises of full-time living wages and the expectation of a robust job market met head-on with part-time only work, near minimum wage levels, and inability to compete for the better jobs against a wave of applicants.

I was a little naïve. The school told me entry level was thirty thousand. Not even close. (Yasmin)

I started out making $12 an hour as a medical assistant. The school had told me I'd be making $35 to $40 thousand per year. (Rachel)

I thought that right after I graduated I was going to go into the field and work and that I was going to be helped by the school. But it didn't happen that way. (Maria)

What happens when you get out, the people who are hiring are in it for their own pockets. They will hire three part-time people instead of one full-time employee to avoid paying insurance and vacation. (Yasmin)

I didn't anticipate that there was going to be so many people going into this field that were willing to accept minimum wage for pay, because that is the reality. The median for medical assistant is $13 to $14 per hour, but there are lots of people that will accept less, and doctors take advantage of that. (Sara)

Minimum wage in the healthcare field is $10. That's why I took up subcontracting because I can negotiate my price. (Brianna)

Because of the major disconnect between expected and actual employment experiences, only one out of our 11 participants was still working full-time in the field that she trained for (medical billing and coding for an insurer; see Hailey profile). Five were working elsewhere or occasionally freelancing, having left the HS field (after initially getting jobs), because of poor pay or employer cutbacks. Three were unemployed or had gone back to school to try to earn more, one was unemployed but occasionally working for a family business, and four never worked in the field, largely because they could not earn enough to cover their needs (some overlap in these categories).

Debt loads and repayment: Our students were mostly independent when they entered college and had come from low-income backgrounds. Despite accessing government Pell Grants, they financed a large percentage of their for-profit education costs with debt (see example of typical for-profit HS costs outlined in Figure 1 above). Reported current student debt levels ranged from $5,500 to $80,000, with a median of $21,000. Note that in some cases, students had taken on additional debt for subsequent education or prior education, but for the most part, debt consisted of initial amounts borrowed for the HS program, as well as large amounts of capitalized interest and late fees resulting from the inability to make loan payments over long periods of time.

When asked about their repayment experience, not one participant had made substantial progress in repaying her debts despite in some cases having left school eight years prior. Three individuals, who had attended either Everest or ITT Tech, had either applied for "closed school" or "borrower defense" loan forgiveness.[34] Two of these appeared to be pending approval, and one had been "turned down." In any case, none of these three individuals were able to repay any of their student debts prior to applying for forgiveness. Six participants had been in serial deferment or forbearance for long periods of time and were either unaware of income-based repayment or had decided to delay enrolling in income-based-repayment until they felt more financially stable.[35] (Generally, participants did not distinguish between deferment and forbearance, in many cases appearing to be surprised at the additional debt incurred due to interest capitalization.) One individual was in default, and two (including the participant turned down for borrower defense forgiveness) were currently in income-based repayment but paying $0 per month.

Even with the loan in deferment you are still paying interest on it. They are just adding it up and up and up. (Linda)

I am in deferment and have been since 2013. I couldn't qualify for loan forgiveness (ITT Tech). When I found out that my loan wouldn't be forgiven I started to think about income-based repayment to keep the payment as low as possible so I can afford it (I work for a nonprofit). I have Navient and they list a whole lot of options on the website—things you can do like deferment, forbearance, and the whole list. (Dee Dee)

I'm not paying back. I haven't paid a dime. I'm not working and have no income. Right now, I get an email from Navient saying, "your payment for this month is $0." (Elena)

I get letters all the time. I don't open them. I can't pay it right now, if I open that letter, it's gonna stress me out. Oh my god, I owe 11 thousand to one school and 5 thousand to the other—where the hell am I gonna pull this money from? I can't afford that right now. Man, it's already hard enough to pay for my own bills. (June)

My loan is in deferment, and like hers, the department of education is reviewing it (I went to Everest). And I didn't really like it at first, but then I started liking it after. I did enjoy it a little but I didn't get a job after it, so right now it is still in deferment. (Keira)

My payment started out at two hundred twenty-three a month, and that was at 6%. Everything was good, but then Sallie Mae started selling out my loans to a bunch of different companies, and now I owe more because one company didn't have the right information to get a hold of me, so they put me in collections even though I had always paid. So, I had to go through and fix all that with a big payment. (Ashley)

Participant profile 2: Elena

Elena is a 35-year-old Hispanic female who is currently unemployed, occasionally doing freelance work as a self-contracting pharmacy technician in various locations, as well as filling in at her family's grocery store. After seeing television commercials for the local branch of Everest University targeted at those like herself without a GED, Elena enrolled in their pharmacy technician associate's degree program and completed it in two years. When asked why she decided to go to college in the first place, she said, "Money. That's what I went to school for; I didn't want to settle for just any old regular job [. . .] It meant my future and that I would have money and be stable." However, despite her own financial investment in her education (she reportedly owes about $80,000 with interest accrual), she has seen very little return.

As per assurances from her program at Everest, she expected to make between $13 and $15 an hour working as a pharmacy technician, which, according to her, would have enabled her to begin to pay off her student loans. However, these expectations were not met when she put herself on the job market: the pharmacies where she was offered a job only paid $10.50 per hour. She explains that the financial aid officers at Everest encouraged her to apply for "all these monies [grants and loans] that I could get. And they took it all—all of it. And yes, I am left with this bill." She is not currently paying on the loan ("I haven't paid a dime"), explaining that, because she is not currently working in a steady job, her income-based repayment plan allows her to pay zero dollars towards her loan each month.

Because of her current financial situation, she has hopes of going back to school to earn a bachelor's degree with the aim of "making more than what they told me I would be making as a pharmacy technician." She feels the need to act due to the prospect of having her wages garnished, which she says she could not handle in light of having a child and being pregnant with a second, saying that this scenario is "kind of scary to me." She finds it incredible that her cousin, who works in fast food, makes a comparable wage to what she makes freelancing as a pharmacy tech, but she says that even with a better paying job after earning her bachelor's, "it's gonna take me the rest of my life to pay this money back."

Elena's responses to two short surveys administered following the focus group confirmed her dire financial condition. On the first survey, the CFPB financial well-being survey, Elena scored a 29, one of the lowest of all focus group participants and substantially below the nationwide average of 54. The CFPB reports that a score below 50 is associated with a high probability of struggling to make ends meet and of experiencing material hardship. A second survey designed by CRL about credit product usage and practices showed that Elena resorted to payday loans and bank overdrafts, had also been contacted by debt collectors, and had only been able to save money prior to taking out student loans.

Impact of debt: High student debt loads relative to incomes and poor repayment progress resulted in devastating effects on participant financial stability and ability to provide for their families. These effects included very low credit scores; inability to qualify for credit cards, auto loans, or home loans; inability to pay regular household expenses; and poor prospects for "leaving anything" for their children—for their education or otherwise. Psychologically, many participants expressed despair at the ever-present burden of student debt and the weight of a lifetime of struggle with repayment.

It screwed my credit up. My credit score before I started going to school was 825. With my student loans—and granted there are some hospital bills on there too—my credit score is down to like 560. That's almost a 300-point difference. That's ridiculous. (Sara)

The only thing on my credit is my car loan and my student loans, which I pay on time. My credit score is crap. I can't buy a house. I can't by a car with a decent interest rate. I want to be a homeowner one day; I want to own things to leave to my son one day. (Hailey)

I'm not sure yet, but I know I need to get a higher degree to get a higher rate of pay. An associate's degree is just not enough money, you might as well go work at McDonald's. (Elena)

I'm married, so it's a little different—my husband has got really good credit. Because of my big student loan, he had to co-sign for my car loan or my interest rate would have been 24%. (Ashley)

I have other things that actually take priority over the government's money, like my kids. They need the money more than the government. I just can't afford it. My plan is to go to school for the rest of my life. (Sara)

Participant profile 3: Brianna

Brianna is a 31-year-old African-American female who completed a medical assistant certificate at Everest University, stating that she had "always wanted to be in the medical field." (This also reflected a strong determination to succeed, as she had previously dropped out of Florida Technical College twice due to pregnancies.) When asked why she pursued a postsecondary education, she indicated that her resume would look better with such a credential on it, though she found that it did not necessarily help her find what she considered a "good" job. In fact, once she completed her medical assistant certificate (and passed the certification test), she found she could only find a job in the field that paid $12 per hour, a far cry from the $35,000–$45,000 salary that she claimed Everest told her would be her starting salary as a medical assistant. Since this pay level was not adequate to support Brianna and her three children financially, she decided to leave the medical field and start a housekeeping business, which she said could pay up to $15 per hour.

Brianna left Everest with $21,000 in student debt, stating that she had been battling a low FICO ever since. This low credit score and disappointing earnings results have prevented her from attaining her dream of owning a single-family house, with Brianna noting the cramped conditions of her current living arrangement in a condo. Recently, however, Brianna had found a potential path to relief from her substantial debt burden, as she had applied for borrower defense loan forgiveness, as have thousands of other students that attended Corinthian Colleges schools such as Everest University.

Brianna's poor outcome from attending Everest was reflected in her thoughts about education for her children. She asserted that she would not allow her children (now aged 8–16) to go to a "technical school" over a "real school" (citing a public four-year university and a community college as examples of the latter), saying that technical schools "are definitely sharks in the very deep water." In clarifying, she notes that "technical" schools do not adequately inform prospective students of the financial burdens that will follow them after attending.

Brianna's responses to the two short surveys administered after the focus group reflect the divergence between her poor past financial condition after completing her medical assistant certificate from Everest and prospect for student loan debt forgiveness. In the credit usage survey, she indicated that she had used payday loans, bank overdrafts, and loans from friends and family. She had also been contacted by debt collectors both before and after obtaining student loans. Her responses to the CFPB financial well-being survey, however, resulted in a score of 75, better than the national average, and as previously stated, suggested the potential for improved financial stability that debt forgiveness could bring.

The current state of for-profit college regulation

The Trump administration, with Education Secretary Betsey DeVos in the lead, has sought major rollbacks of federal oversight of predatory colleges. Since her confirmation in February of 2017, DeVos has appointed a former Dean at DeVry University, an institution currently under investigation for defrauding students, to lead the enforcement division at the U.S. Department of Education[36]; terminated the enforcement and data sharing memorandums of understanding between the Department and the CFPB[37]; re-negotiated the Gainful Employment and Borrower Defense rules, signaling a weakening of the rules and rights of borrowers[38]; and been slow to grant what was ultimately only partial relief to tens of thousands of student loan borrowers defrauded by their schools.[39]

With little effort to protect students and borrowers at the Federal level, states can no longer rely on the U.S. Department of Education's role in the triad, the regulatory structure for higher education oversight. As its name suggests, the triad consists of three players: the state boards of education who approve schools and programs to operate in their state, the federally recognized accreditors charged with overseeing institutional quality, and the U.S. Department of Education. Instead, states must increase their regulatory presence and provide robust oversight to protect students, borrowers, and taxpayers from fraud.

If the U.S. Department of Education is refusing to act on behalf of borrowers, or even actively harming borrowers and their families, states can and should fill the regulatory gap.

States play an important role in the regulation of higher education. As one-third of the triad, state boards of higher education are empowered to approve or disapprove an institution operating within their borders. In too many states, this approval process has become rote, focused on the physical space of the applicant and the course curriculum. Some states simply allow accreditation—regardless of who the accreditor is—to act as a proxy for institutional quality. Even those who serve with these agencies recognize their current limitations. David Dies, the Executive Secretary of the Wisconsin Educational Approval Board, told *Inside Higher Ed* in 2016 that higher education is, "one of the least regulated industries that you have out there. The consumer voice is nonexistent."[40]

The Obama Administration's U.S. Department of Education agreed that states needed to step up their oversight of higher education—and particularly of for-profit colleges. In November of 2015, for example, the Department wrote to regulators in several states asking them to provide the job placement numbers published by institutions of higher education licensed in their states. They also asked for supporting documentation of these published rates, and whether the state approving agencies require any proof of the placement rate beyond the institutions' attestations.[41] Three years later, a bipartisan letter from 26 state attorneys general reaffirmed the important roles states play in higher education: "Given the states' experience and history in protecting their residents from all manner of fraudulent and unfair conduct, they play an essential role in consumer protection in student loans and education. States are uniquely situated to hear of, understand, confront, and, ultimately, resolve the abuses their residents face in the consumer marketplace. Abuses in connection with schools or student loans are no different."[42]

States should require that institutions meet certain performance metrics.

States should go beyond the superficial process that too many use to evaluate institutions operating in their state. Instead of merely checking the school's proposed physical plant, enrollment agreements, and curriculum, states should also evaluate how well institutions are serving their students. States can adopt these types of accountability measures through their state approving board or as a designated type of unfair and deceptive practice under state law.

To do so, states can assess:

- The default rate of borrowers who have attended the school.
- The repayment rate of borrowers who have attended the school.
- The job placement rate of all students who have graduated from the school.
- The median loan debt of all borrowers who have attended the school.

For our focus group members who attended FTC, a rule that examines student achievement would be very helpful.

According to the 2016 College Scorecard data, across all programs offered, 17.3% of borrowers who borrow federal loans to attend FTC default. Only 17% are able to pay down their loans. And worst of all, the average borrower leaves school with more than $12,200 (74% of all students borrow) in debt.[43]

Compare this to Valencia College, an Orlando community college that serves a similar population to Florida Technical College. Valencia has a 15.4% default rate, but 31% of their borrowers are paying their loans down, and the average borrower leaves with only $8,250 in debt (21% of all students borrow).

Further, states can and should adopt regulations similar to the GE Rule and apply the metrics to schools seeking approval or renewal of approval to operate. In doing so, states can and should evaluate the reported annualized and discretionary debt-to-earnings (DTEs) rates of programs, refusing to approve schools with DTEs above certain acceptable ratios. At the Federal level, the former Gainful Employment regulation, which has now been delayed and rolled back by the DeVos administration, set the "passing" annual DTE ratio at 8%,and the "passing" discretionary DTE ratio at 20%.

Of 11 programs that Florida Technical College reported for gainful employment, eight were either "zoned" or "failed"—a full 72% of programs.

States should require that approving boards develop and adopt a meaningful job placement rate.

In order to meaningfully evaluate a program's job placement rate, most states will need to promulgate a uniform definition of the term "job placement." Because there is no Federal definition of the term, most programs disclose their job placement rate based on the method proscribed by their accreditors. This leaves prospective students at a disadvantage. Suppose, for example, that an institution advertising an 80% job placement rate is permitted by their accreditor to include people employed on a temporary contractual basis in their job placement rate, while a school with a 60% job placement is not. The prospective student may make the decision to attend the school with a superficially higher job placement rate, assuming the term has one standard definition.

The lack of a uniform job placement definition is a loophole that allows for confusion, deception, and outright fraud in student disclosures. States can and should instead adopt one definition and require that every institution operating Gainful Employment programs in their state base their disclosures on that definition.

States should not allow institutions that use arbitration agreements to access state funds.

Mandatory arbitration is a clause within a contract that bars students or former students from being able to bring a complaint in court, instead of requiring them to appear in front of an arbitrator. Arbitration, unlike mediation, is a legally binding process that is very difficult to appeal after a decision is entered. Often, mandatory arbitration clauses are heavily weighted towards the institutions. Where a borrower could often properly sue an institution in the city where they went to school, for example, a mandatory arbitration agreement may require them to travel to another city or state to bring their claim. For the mostly low-income borrowers served by for-profit colleges, traveling to arbitrate a claim can be prohibitively expensive and require untenable time away from work.

In 2016, The Century Foundation surveyed college enrollment contracts, collecting contracts from public, private nonprofit, and for-profit schools. While no public universities and only one private nonprofit institution included mandatory arbitration clauses in their enrollment contracts, 93 out of 158, or 59% for-profit college enrollment agreements surveyed had arbitration clauses.[44]

ITT Tech, a now-defunct institution attended by several of our focus group participants, not only used a mandatory arbitration agreement in their enrollment contracts but scolded a student veteran who took his complaint about the school to the Veterans' Administration (VA). The correspondence was uncovered by the Century Foundation report:

> *A copy of your complaint sent to the Veterans' Administration (VA) has been forwarded to my attention. I appreciate the opportunity to respond to the concern(s) you submitted online at http://www.benefits.va.gov/gibill.*
>
> *Please note that when you enrolled at ITT Technical Institute, you signed an Enrollment Agreement (EA) in which you agreed to all terms of our school catalog, including our published Student Complaint/Grievance Procedure. A review of our records reveals that you did not use our established Student Complaint/Grievance Procedure to first afford the school you attended the opportunity to address or respond to your concerns. ITT Educational Services, Inc. is providing a response to your concerns even though this is outside of our established Student Complaint/Grievance Procedure. You can, however, locate the ITT Technical Institute you attended by accessing our website at http://www.itt-tech.edu/campus/ and then view the school's catalog and Student Complaint/Grievance Procedure by selecting the "Catalog" hyperlink underneath the "Campus Information" section of the applicable campus web page.*[45]

States are preempted by the Federal Arbitration Act from prohibiting forced arbitration in all college enrollment contracts. States can and should, however, prohibit institutions that use forced arbitration agreements in their enrollment contracts from accessing state student loan aid.

Of course, states don't have to stop there. About half of the states don't allow for-profit colleges to access state-based student aid at all, ensuring that state grant money is not being used at schools that don't benefit their students.[46]

States should decline to approve institutions spending too much on advertising and CEO salaries.

A 2012 study by the Senate Health, Education, Labor, and Pension Committee found that for-profit colleges are not spending that money on student services and instruction. This occurred despite collecting an average of 86% of revenues from Title IV Pell Grants and student loans and an unlimited amount of revenues from the GI Bill.[47] Instead, the report found that money from Title IV revenues went to CEO salaries and advertising.[48] For example, in 2012, the Harkin report documented that $1.1 billion—a full 65% of the ITT Tech's revenues—came from federal funds.[49] Of that money, ITT Tech spent $741 million on advertising and profit.[50] In 2009, the last year noted in the Harkin report, CEO Kevin Modany received $7.6 million in compensation. Meanwhile, the school posted a 26.3% default rate, with two-year degrees that cost nearly $50,000 to obtain.

While states cannot dictate to institutions how they spend federal funds, they can deny institutions approval to operate in their state if those institutions are spending a disproportionate amount of money on recruiting, marketing, and CEO salaries as opposed to student services and instruction. States should require that at least 50% of student dollars be spent on instruction and no more than 15% be spent on advertising.

States should decline to approve institutions without proper program accreditation.

Programmatic accreditation is a specialty accreditation, beyond institutional accreditation, that is required in certain fields. For example, in every state, prospective nurses are required to graduate from a program that is accredited by the Board of Nurses in their state. This is the first step in a two-pronged process of being able to be licensed as a nurse. Therefore, if an institution is operating without proper programmatic accreditation, graduates will be legally barred from being employed in their field.

States can and should immediately strip the approval of programs that do not obtain programmatic accreditation and require that borrowers who attend those programs are refunded. In 2016, Maryland passed legislation addressing this very issue—requiring programmatic accreditation and ensuring that borrowers can actually be employed in the fields in which they train.[51]

States, however, can go beyond requiring that only programs whose graduates are legally required to be licensed are programmatically accredited. In some states and professions, while licensure from a programmatically accredited program is not a legal requirement, it is an expectation for hiring. For example, while being a certified medical assistant is not a legal requirement in many states, it is a requirement for employment. Only medical assistants who graduate from a program accredited by specialty accreditors CAAHEP or ABHES can sit for the gold-standard certified medical assistant exam.

Despite this fact, many states approve programs accredited by a specialty accreditor other than CAAHEP or ABHES, knowing that graduating students will not be able to sit for the most-recognized certified medical assistant exam.

Approving agencies in those states can and should require that institutions have appropriate programmatic accreditation as well.

States should revoke the approval of institutions enrolling students who cannot be licensed in their professions because of a criminal conviction.

Laws regarding the licensure and employment of people with prior convictions vary from state to state. Institutions should be responsible for ensuring that a prospective student's criminal history will not bar them from employment. Institutions can and should be banned from enrolling borrowers who will not be eligible for employment in their field because of prior convictions, and institutions regularly enrolling these students should have their approval to operate revoked. The same 2016 Maryland bill addressing programmatic accreditation, MD SB 427, also addressed the issue of criminal convictions and other details of a borrower's history that may prevent them from employment in their field.

States should ensure robust student tuition reimbursement funds.

When institutions of higher learning deceive their students with promises of extensive job placement services that never materialize or job placement statistics that are over-inflated—or close altogether—those students should be able to make a claim to have their tuition and education expenses reimbursed. As the U.S. Department of Education rolls back these protections, states can and should create their own reimbursement funds.

Student Tuition Reimbursement Funds (STRF) are guaranty funds that are supported by approved schools, which pay an annual fee as a condition of their approval to operate. These fees can be based on the number of students enrolled, the financial stability of the school, the number of borrowers in active repayment or default, or any other measure of a school's likely success or failure.

According to a survey conducted by the Century Foundation and The Institute for College Access and Success[52], about half of states already have a STRF in place. However, many of these funds are in need of reform if they are truly to serve students, borrowers, and taxpayers.

For example, some states may require that defrauded student borrowers go through an extensive and frustrating process to get reimbursed, asking for documents—like transcripts—that many for-profit institutions make it difficult for borrowers to access. Or they may only reimburse a borrowers after he or she has applied to and completed the process for federal relief, a process that is increasingly drawn out and complicated. Finally, some STRFs have caps on the total amount that each borrower can receive—often well below the total costs of for-profit colleges.

In states where there is no existing requirement for an STRF, states can and should require the creation of such a fund. In states where STRFs already exist, states can and should require that they are easily accessible and sufficiently funded.

Recall the story of focus group participant Kiera, whose loan is in deferment as her borrower defense claim makes its way through the U.S. Department of Education. Given the recent rulemaking on borrower defense, and the likely outcome of a final rule that will provide only partial relief, defrauded students like Kiera will still be on the hook for loans taken out to attend an institution that closed down after years of fraud allegations. States can help make students like Kiera whole again.

States should repeal laws that revoke the licenses of student loan defaulters.

A November 2017 investigation by the New York Times revealed that 19 states have laws in place to revoke the professional licenses of student loan defaulters. One, South Dakota, can suspend the driver's license of those who default.[53]

For example, an annual report from the Louisiana State Board of Nursing noted that 87 nurses in that state were at risk of losing their license to practice because of a student loan default. Of those, 84 were able to rehabilitate their loans to get back on track.[54] However, three licensed nurses were unable to rehabilitate their loans and lost their ability to practice medicine.[55]

A borrower default on a student loan is a failure on several levels. In many cases, if student loan servicers were correctly placing borrowers in loan repayment plans suited to their needs and income, default would never be necessary.

States should require that student loan servicers are licensed and regulated.

In early 2017, the CFPB sued the nation's largest student loan servicer, Navient, for "failing borrowers at nearly every level." Allegations include failing to put borrowers in income-driven repayment plans that would help them successfully manage monthly payments, instead placing them in multiple forbearances that ultimately added $4 billion in accrued interest to outstanding loan debt to just 500,000 borrowers' accounts.

States can and should assert oversight over student loan servicing. By passing a student loan servicing bill, states can require that any student loan servicer operating in the state is licensed. They can also outline generally prohibited practices in servicing and create an Office of the Student Loan Ombudsman to handle complaints from borrowers, keep track of the borrowers in the state, and provide education to new or just-graduated borrowers.

Connecticut led the way with this bill in 2015, while California, Illinois, and Washington followed soon afterward. Several states, including Massachusetts, New Jersey, Maine, Maryland and New York, are considering the bill in 2018.

It's clear that servicers like Navient and PHEAA have little interest in oversight—and, indeed, that the U.S. Department of Education has little interest in policing them. In the summer of 2017, the NCHER, an industry lobbying organization for servicers, sent a letter to the DeVos U.S. Department of Education asking them to pre-empt states' attempts to protect their borrowers. In March 2018, the Department acquiesced, issuing a "Memo of Interpretation" that ascribed broad preemptive powers to the Department. Using the memo as a shield, Navient and PHEAA have sued the state of Connecticut and D.C. However, this memo is no such shield. States have the ability to and must continue to enact laws to protect students from abusive student loan servicing abuses.

Conclusion

Borrowers like those interviewed in recent focus groups are some of the most vulnerable consumers of American education. The students most likely to enroll in for-profit programs are often first-generation, nontraditional students with challenges beyond those of the typical 18-year-old attending public or nonprofit colleges for the first time. These challenges include family care needs, working full or part-time, health issues, and financial uncertainty.

As the landscape of American work continues to evolve, and barriers to entry, even for low-wage work, continue to increase, access to quality, affordable education will become even more important.

The conversation around for-profit schools is often framed as one of access versus accountability. That conversation, however, creates a false dichotomy. College training can be both affordable and high quality; many public and community colleges already achieve this goal. Indeed, the regulatory power to make this a reality already exists both at the federal and state level. The missing component is the will of states to step into the gap left by insufficient oversight at the federal level, coupled with a return to better oversight at the federal level.

Endnotes

1 Other forms of student aid include federal education tax benefits and military student aid programs, institutional and state aid, employer assistance, and private loans. *See Trends in Student Aid 2017,* College Board, *available at:* https://trends.collegeboard.org/sites/default/files/2017-trends-student-aid.pdf.

2 *See* Matthew B. Fuller (2014) "A History of Financial Aid to Students," *Journal of Student Financial Aid:* Vol. 44: Iss. 1, Article 4, *available at:* http://publications.nasfaa.org/jsfa/vol44/iss1/4.

3 *See* Robert Kelchen, *How much do for-profit colleges rely on federal funds?,* Brookings Institution (January 11, 2017) *available at* https://www.brookings.edu/blog/brown-center-chalkboard/2017/01/11/how-much-do-for-profit-colleges-rely-on-federal-funds/.

4 *See Federal Student Loan Portfolio Data,* Federal Student Aid, U.S. Department of Education, *available at* https://studentaid.ed.gov/sa/about/data-center/student/portfolio.

5 Title IV eligible for-profit colleges numbered 2,899 in 2016–17, down from 3,527 in 2012–13. This reduction stems from several factors, including mismanagement and the weight of multiple state and federal enforcement actions for misrepresenting student earnings and other fraudulent practices. *See* Doug Lederman, *The Culling of Higher Ed Begins,* Inside Higher Ed (July 19, 2017), *available at* https://www.insidehighered.com/news/2017/07/19/number-colleges-and-universities-drops-sharply-amid-economic-turmoil.

6 National Center for Education Statistics (NCES) (2017), *Digest of Education Statistics 2016, available at* https://nces.ed.gov/programs/digest/2017menu_tables.asp.

7 *See The State of For-profit Colleges,* Center for Responsible Lending (Dec. 2017), *available at* http://www.responsiblelending.org/research-publication/state-profit-colleges.

8 *See* Jillian Berman, *Plagued by Scandal, For-profit Colleges Target Single Mothers,* Marketwatch (September 11, 2017), *available at* https://www.marketwatch.com/story/plagued-by-scandal-for-profit-colleges-target-single-mothers-2017-09-07.

9 *See* Robert Shireman, *The For-Profit College Story: Scandal, Regulate, Forget, Repeat,* The Century Foundation (January 24, 2017), *available at* https://tcf.org/content/report/profit-college-story-scandal-regulate-forget-repeat/.

10 *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success,* Senate HELP Committee, pp. 2 (2012), *available at* https://www.help.senate.gov/imo/media/for_profit_report/ExecutiveSummary.pdf.

11 Florida Technical College and American College for Medical Careers, both attended by several of our focus group participants.

12 *See* C. Jeffrey Waddoups, "Did Employers in the U.S. Back Away from Training in the Early 2000's?" *ILR Review,* Vol 69, Issue 2 (2016), *available at* http://journals.sagepub.com/doi/abs/10.1177/0019793915619904?journalCode=ilra.

13 Tressie McMillan Cottom, *Credentials, Jobs and the New Economy,* Inside Higher Ed (March 3, 2017), *available at* https://www.insidehighered.com/views/2017/03/02/impact-new-economy-profit-colleges-and-their-students-essay.

14 The lack of uniform standards around job placement has contributed to the prevalence of rosy scenarios in for-profit college advertising. *See* the particularly egregious example of Corinthian Colleges, *available at* http://www.sacbee.com/news/politics-government/capitol-alert/article45236754.html.

15 *See* Kevin Carey, *DeVos Is Discarding College Policies That New Evidence Shows Are Effective,* The New York Times (June 30, 2017), *available at* https://www.nytimes.com/2017/06/30/upshot/new-evidence-shows-devos-is-discarding-college-policies-that-are-effective.html.

16 Sandy Baum and Saul Schwartz, *How Much Debt Is Too Much? Defining Benchmarks for Manageable Student Debt*, Education Resources Information Center (2006), *available at* https://eric.ed.gov/?id=ED562688.

17 *See Gainful Employment Information,* Federal Student Aid, U.S. Department of Education, *available at* https://studentaid.ed.gov/sa/about/data-center/school/ge.

18 Stephanie R. Cellini and Nicholas Turner, "Gainfully employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data," *Journal of Human Resources* (2018), doi: 1016_8302R1.

19 Note that for-profit colleges are overrepresented in the HS GE program data compared to the universe of all 8,637 GE programs, which are 66% for-profit, 29% public, and 5% private nonprofit.

20 For the ADTE rate, the numerator is the calculated annual loan payment amount—an estimate of the annual loan repayment amount based on the median educational debt of the members of the cohort. The denominator is the higher of the cohort's mean or median earnings obtained from the Social Security Administration (SSA). The DDTE rate uses the same annual loan payment amount in the numerator as the ADTE, but the denominator is the higher of the mean or median earnings minus 150% of the poverty guideline. *See* Federal Student Aid, U.S. Department of Education, *Gainful Employment Information, available at* https://studentaid.ed.gov/sa/about/data-center/school/ge.

21 See *Gainful Employment Information,* Federal Student Aid, U.S. Department of Education, *available at* https://studentaid.ed.gov/sa/about/data-center/school/ge.

22 Similarly, the high representation of Everest brands and Ultimate Medical in the Private College row in Table 2 greatly contributes to the high Failure/Zone Rate of 77%. These two college chains represent 53 of the total 79 Private Failure/Zone programs.

23 The equivalent Failure/Zone Rate for all 8,637 GE programs is 49%, indicating that HS programs perform worse than the overall set of GE programs. This is consistent with an overrepresentation of for-profit colleges in HS programs relative to all GE college programs as discussed in the previous section.

24 Note that Florida Technical does not have any on campus residences. "Room and Board" in this case references estimated off-campus living arrangements and food expenses (not affiliated with the school).

25 *See Net Price Calculator,* Florida Technical College, available at http://www.ftccollege.edu/NPC/npcalc.htm.

26 Net Price is the total cost of college attendance minus any grant or scholarship aid you might receive for full-time attendance for one year. (The time frame may be less than one year for certain short-term certificate programs.)

27 *See Undergraduate Certificate in Medical Assistant Technician,* Florida Technical College (June 22, 2017), *available at* http://www.ftccollege.edu/gedt/Diploma/MEDICAL%20ASSISTANT%20TECHNICIAN/Gedt.html.

28 GE Downloadable Debt-to-Earnings spreadsheet, for 2014–15 Graduates, *available at* https://studentaid.ed.gov/sa/about/data-center/school/ge.

29 See Medical Assistant, American College for Medical Careers (2018), available at https://www.acmc.edu/programs/medical-assistant/.

30 *See "Medical Assistants,"* Occupational Outlook Handbook, Bureau of Labor Statistics, U.S. Department of Labor, *available at* https://www.bls.gov/ooh/Healthcare/Medical-assistants.htm.

31 *See Undergraduate Certificate in Medical/Clinical Assistant,* Premier Education Group, *available at* http://schooliya.com/peg/Orlando/Orlando%20-%20MA/51.0801-Gedt.html.

32 All names shown here have been changed from those of participants to protect their identities. Participant accounts have been lightly edited for clarity.

33 Note that it is possible that these characteristics were underreported, especially that of first-generation, because they would need to be volunteered by participants during conversation.

34 A student may be eligible for discharge of her federal student loans under the Closed School Discharge if her school closes while she is enrolled or soon after she withdraws. Eligibility for Borrower Defense to Repayment federal loan forgiveness is based on a school misleading the student or engaging in other misconduct in violation of certain state laws, and if the school's act or omission directly relates to the student's federal student loans or to the educational services paid for with the loans. *See Forgiveness, Cancellation, and Discharge,* Federal Student Aid, U.S. Department of Education, *available at* https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation.

35 Both deferment and forbearance temporarily suspend or reduce payment on a student loan but have different eligibility requirements and limits and most importantly, consequences for interest capitalization. (Some types of deferments do not result in interest capitalization.) See: https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation.

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49 Id at 518.

50 Id at 520.

51 MD SB 427, 2016 (pp. 2–3).

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Center for Responsible Lending

www.responsiblelending.org

The Center for Responsible Lending (CRL) is working to ensure a fair, inclusive financial marketplace that creates opportunities for all responsible borrowers, regardless of their income, because too many hard-working people are deceived by dishonest and harmful lending practices.

While the housing crash was devastating to families at all income levels, it was disproportionately destructive to entire communities of low- and moderate-income families and borrowers of color. In fact, it wiped out generations of family wealth in these communities. Many of these families had successful 30-year loans, but they were lured by the promises of deceptive marketing and then financially devastated when they were placed in egregious loan products.

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North Carolina

302 West Main Street
Durham, NC 27701

Ph (919) 313-8500
Fax (919) 313-8595

California

1970 Broadway
Suite 350
Oakland, CA 94612

Ph (510) 379-5500
Fax (510) 893-9300

District of Columbia

910 17th Street NW
Suite 500
Washington, DC 20006

Ph (202) 349-1850
Fax (202) 289-9009