



STATEMENT OF PAULINE ABERNATHY
Vice President, the Institute for College Access & Success

Contact: Edie Irons
510/318-7902
Gretchen Wright
202/371-1999

EMBARGOED FOR

12:01 am Eastern Daylight Time
July 23, 2010

Education Department Takes Key Step to Protect Students and Taxpayers from Career Education Rip-Offs

“Today, the Obama Administration proposed a much-needed definition of ‘gainful employment’ to protect students and taxpayers from getting ripped off by career education programs that over-promise and under-deliver. It is encouraging that the Administration has proposed a regulation with some teeth, and in time to be finalized by November and go into effect next year.

“We are pleased that the proposal appears to address some of the issues raised by a [large coalition](#) of advocates for students, civil rights and college access, plus some colleges with programs subject to the gainful employment requirement. For example, a program’s student loan repayment rate would include borrowers who didn’t complete the program as well as those who did, an important indicator of actual student outcomes. In addition, the regulation uses independently verified income data for its debt-to-earnings measure.

“Still, the rule needs to be strengthened to adequately protect students and taxpayers. We are particularly concerned that programs could continue to profit from federal student aid when more than half of their students with loans can’t afford to pay down their principal. In the next year alone, taxpayers will underwrite more than \$30 billion in federal loans to students attending programs required to prepare them for gainful employment.

“To participate in federal student aid programs, federal law requires most programs offered by for-profit institutions, and any career or educational program of less than two years, to ‘*prepare students for gainful employment in a recognized occupation.*’ Yet existing regulations do not define what this means, leaving the law unenforced and students and taxpayers unprotected. As a result, unscrupulous schools are recruiting students for expensive programs that do not prepare them for jobs that would enable them to pay off their student loans, or sometimes for any jobs at all. Such programs leave students deep in debt they cannot repay and cost taxpayers millions of dollars in Pell Grants and defaulted federal student loans.

“The Obama Administration deserves praise for issuing this important draft regulation. We will carefully review it and develop recommendations to strengthen protections for students and taxpayers.”

#

An independent, nonprofit organization, the Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. The Institute’s Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see www.projectonstudentdebt.org and www.ticas.org.