

FOR-PROFIT COLLEGES

Mr. DURBIN. Mr. President, if you opened the newspaper over the last several weeks, you have probably noticed a large full-page advertisement that has appeared almost every day. It shows, usually, a young person, and it has a caption that reads: "A hundred thousand working Americans don't count? Put the brakes on the Department of Education's gainful employment rule."

There are a lot of photos of young people with that basic statement popping up in newspapers not only in Washington but across the United States. Others show photos of young people saying: "I don't count? Some in Washington think I don't."

These ads have been hard to miss. They have been running in more than 10 newspapers on a daily basis for several weeks, at a cost of millions of dollars. Most Americans, when they look at it, are puzzled and say: What is this debate and this battle all about?

Well, many of these ads are being paid for by Corinthian Colleges, Incorporated. This is a for-profit higher education company that provides training and education after high school for young people across America--and for those who are not so young anymore. Corinthian and other for-profit colleges are upset about a regulation that the Obama administration has proposed. Corinthian is spending millions of dollars on a barrage of ads across the United States, rather than basically taking the same money and offering it in scholarships to help their students. They want to stop the Obama administration from its proposed change in the rules. The proposed regulation could end Federal subsidies to some of the poorest performing for-profit colleges in America. That might hurt the profits of some very wealthy corporations, especially Corinthian.

This is simple dollars and cents. They are spending millions of dollars now to persuade Congress, and perhaps some voters and opinion makers, not to enforce a rule that holds them to a standard of performance because they may lose business. If they lose business, they may lose profits. In losing profits, they think it is worth putting money into this advertising effort. They are worried, because if you take a look around, you cannot miss them in Washington. I have said, half jokingly, that having served in Congress for more than 20 years, the best way I can find to meet former Members of Congress whom I have served with over those 20 years is to take on this issue because they have all signed up as lobbyists for these for-profit colleges. They are calling me and saying: Durbin, guess who I am working for. It turns out my efforts to hold for-profit colleges accountable for the students going to school there and ending up deeply in debt is a full employment bill for former Members of Congress to be lobbyists. That was not my intention. It is not my goal.

They are also spending millions of dollars on these ad campaigns, about which I have spoken to newspaper people who say: The newspaper business isn't profitable anymore, but thank goodness these schools are buying full-page ads. So I have this sort of one-man campaign to put Americans back to work and make American newspapers more profitable. It is almost the basis for a comedy routine, except what I am talking about is not funny at all.

I am talking about some of these for-profit schools that are sinking young people deeply into debt in student loans that they can never pay off, promising them courses, training, and degrees that will lead to a good job and, in fact, it leads to a dead end, where they end up with a worthless piece of paper. They don't end up with the skills they need to get a job, but they do end up in debt, with student loans to the heavens.

I think the Department of Education is on the right track. If we are going to send literally millions, if not billions, of dollars to colleges and schools that are training those who finish high school, we should have some standards there. We should not just give them to anyone who happens to call themselves a school or calls their effort an education and training. It is right to ask these questions.

The proposed gainful employment regulation is complicated, and some changes may be made before it is all over. It is basic: For-profit colleges should not routinely leave students with student loan debt that they cannot afford to pay back. Luring a 19-, 20- or 21-year-old deeply into debt, when they are being promised a job they will never have, is cruel and unfair. In a moment, I will tell you what happens when the students default on their debts. In the meantime, the taxpayers are subsidizing this. It is our Federal tax dollars passing through Washington and out to these schools, loaned to students, paid to the colleges that are representing they have something good to offer, leaving students deeply in debt and many without a job.

This rule the Obama administration is looking at would look at debt-to-income ratios and student loan repayment rates to determine those education and training programs that are leaving students with more debt than they can realistically ever pay back. Those programs might have to print a warning label on their promotional materials about the high debt levels of their students or there might be restrictions on enrollment in departments of schools that regularly produce students who are deeply in debt without a job. Some programs would actually lose their eligibility for Federal student aid if they don't meet certain standards. I think that is an honest approach for the students and for our need in this country to educate and train people in our workforce.

Recently, I had a hearing in Chicago, and it was on this issue. I could not get over the crowd. I expected a few people to be interested, but 450 people showed up. We had to have an overflow room in the Federal courthouse. As I walked into that Federal courthouse building, I thought there was something else important going on there beyond my hearing. It turned out the demonstrators on the sidewalk outside were there for me. So I went up to talk to them; they were students. These two students I spoke to were dressed in a white tunic, which chefs wear, with buttons on the side. They were carrying a sign against the gainful employment rule. I talked to them. I said: Where do you go to school? They said they went to the Institute of Art of Chicago, located in the suburb of Schaumburg, IL.

For those of us who know Chicago, the reason that name is written the way it is written is because there is a real art institute in Chicago. This school is not affiliated with it, but it is creating the impression that it may have some connection. It doesn't. I asked the student: What are you studying? The student says: Culinary arts. I want to be a chef. I said: How long does the course last? He said: 2 years. I said:

How much do you pay in tuition for this course? He said: \$54,000. It costs \$54,000 to work in a restaurant. I said: How much will you get paid after you finish the course, when you go to work? He said: We usually start at about \$10 an hour, and if I work 6 days a week or maybe more and do overtime, I might make \$30,000 a year gross. I said: Do you have any idea how long it will take to pay off this debt? What is this leading to? He said: Someday I want to own a restaurant. I said: That is a great ambition, but if you start this journey \$54,000 in debt, what is the likelihood you will reach your goal? He said: Well, I am going to pursue it. I think it is the thing to do.

The same culinary course is offered at the community colleges in Chicago--a 2-year course, with the same preparation, and the tuition for 2 years is \$12,000 versus \$54,000. This young man is going to be deeply in debt, a debt which people our age think, my goodness, that is more than my first home cost. They are going to have that facing them as they start a job that pays about \$10 an hour.

That, to me, is unfair and creates an unrealistic expectation. I wish there would be a suspension, for about 6 months, of the super chef, master chef shows, so all the young people who are bored and watching cable TV will not turn to these shows and have these dreams about being the master chef of tomorrow. For many of them, it will be a dream that is never realized, although the debt they incur will be realized in a hurry. We think these schools would either have to improve the salary outcomes of their students or cut tuition costs. Either way, that is good for students.

But the for-profit colleges want us to believe that the idea of controlling student debt somehow hurts these students. Look at Corinthian College spending millions of dollars on these ads to stop this accountability. This company is buying full-page print advertising all across America. It owns Everest College, Everest Institute, and Everest University. How many students are enrolled at the colleges owned by Corinthian? It is 112,000, including 20 percent through online courses.

If I did a quiz and asked the American people which institution of higher learning they believe receives the most Federal funds of any institution in America, most people would get it wrong. It is an institution that is owned by a company called the Apollo Group, and it is known as the University of Phoenix. The University of Phoenix has over 450,000 undergraduates enrolled. That is more than the combined undergraduate enrollment of all of the Big Ten schools--450,000-plus. They receive more Federal aid for education than any other institution in America. Next is DeVry out of Chicago--for 75 years--and I might add during the course of testimony before our panel, our investigation did come up with some very positive things to say. I hope what I am about to say is not taken to condemn every for-profit school. I think some are doing a good job in some areas and they are valuable and should continue. The other is Kaplan University. Kaplan is owned by the Washington Post and is the biggest moneymaker in their corporation.

They have quite a few students. They are No. 3 in terms of receiving Federal aid to education. The fourth school, incidentally, is Penn State University, finally one you would guess would be there. It is a large university with online courses. That gives us an idea of where the Federal money is flowing from student loans and Pell grants. It is going to for-profit schools. They represent about 9 percent of all the students taking postsecondary education. They represent 25 percent of all the Federal aid to education

and 43 percent of all the student loan defaults: 7 to 9 percent of the students, 43 percent of the defaults. It is an indication that we have a problem. We are shoveling money in the name of educating students at institutions which are heaping them up with debt and not providing them with training or preparation for a good-paying job.

In 2009, Corinthian--the one buying the millions of dollars in pages of advertising--had \$1.3 billion in revenue, up 22 percent over the previous year, and 89 percent of the revenue for Corinthian Colleges across the United States came from the Federal Treasury, from taxpayers, in the form of Federal Pell grants and student loans. That does not include the GI bill, Department of Labor funding or Department of Defense funding

The company's net income--that is their profit--was \$71 million. The CEO of Corinthian Colleges, buying all these ads, was paid \$4.5 million in executive pay and other compensation last year. Corinthian spent, out of the money they brought in--89 percent of it from the Federal Government--\$295 million in advertising and recruiting in 2009. That is 22.5 percent of the total revenue went to advertising and recruiting.

They are, by and large, a marketing operation: bring the students in, sign them up, bring in the Federal dollars; bring in more students, sign them up, bring in more Federal dollars.

Given the ad campaigns in the newspapers, the amount spent on advertising by Corinthian is likely to go up even higher.

On average, for-profit schools, which receive the lion's share of the revenue from taxpayers, spend 25 percent of their revenue on advertising and recruiting.

What do community colleges across America spend in recruiting students to come to their campuses and classrooms? Not 25 percent of the revenue, 2 percent. They are being outclassed in the marketing battle by these for-profit schools.

How are the students doing at Everest College, for example? Recently, an undercover Government Accountability Office investigator went and took a look. That investigator posed as a potential student and found that the admissions representative at Everest College misrepresented the cost and length of the program and refused to disclose the graduation rate to this so-called potential student--not surprisingly. Do you know why? Only 15 percent of the student loans are being paid by the students who go to Everest; 85 percent of them are not paying on their loans. It shows they are getting into debt they cannot pay off.

Data from the Department of Education indicates that Corinthian, overall--in all their different colleges--has a 24-percent repayment rate. Three out of four students who go to their schools cannot pay the principal on their debt after they finish--three out of four. It is the lowest repayment rate of any publicly traded corporation in this business.

On a recent investor call, Corinthian acknowledged some campuses are at risk of losing their accreditation and that a majority of campuses will have 3-year default rates over 30 percent.

We cannot expect a young student fresh out of high school or someone without worldly experience to launch an investigation about whether a school is accredited. One assumes, if the Federal Government is going to send its money to that school for the students, somebody in Washington is keeping an eye on the school to make sure it is the real thing. The honest answer is we are not. That is why the Obama administration thinks we should change the rules, create more oversight on these schools, make sure Federal dollars are well invested and students do not end up overwhelmed by debt.

An independent analysis predicted that the Corinthian companywide 3-year default rate may be 39 percent. Do you know what that means? Two out of every five students who attend a college owned by Corinthian will default on their student loan within 3 years--40 percent of them.

That is happening despite the company's strong efforts to lower the number of defaults within the government's 3-year window. They are encouraging students to just pay interest on their debt if they cannot pay the principal so they can at least say you are paying something.

Corinthian spent \$10 million over the last year to strengthen what it calls default management because they see the writing on the wall. It is indefensible that we are sending this money to the Corinthian corporation. They are heaping debt on the students and not producing an education that leads to a job.

Everest College in Illinois is doing slightly better with a default rate of 25 percent.

Corinthian also offers private loans to students who are in trouble. Listen to this. Corinthian Colleges' chief financial officer, Ken Ord, stated in a Federal 2010 investor call that they anticipate a 56- to 58-percent default rate on the private loans the school makes directly to students.

That is a 56- to 58-percent default rate on an estimated \$150 million in internal student lending. Why is Corinthian willing to lend money to the students--their own money--when they know these students are already defaulting on their government loans?

The company is willing to take this loss of \$75 million in private student loan defaults because these loans help ensure the Federal loans and Pell grants will keep coming in to these students, despite the fact they are in over their head in debt and have nowhere to turn.

Corinthian Colleges was sued by the State of California in 2007. The State argued it misled students about career opportunities. They reached a \$6.5 million settlement in the State of California to refund tuition to former students, pay student debt cancellation, and pay civil penalties.

That was not the first time they had been in court. There have been a number of lawsuits from former students who had spent tens of thousands of dollars for useless degrees and useless certificates from Corinthian and Everest.

Recently, Corinthian and several of its executives are being sued by their own shareholders for allegedly making false and misleading statements about the company's business prospects.

I have questions about whether Corinthian is the education opportunity students are looking for. There are certainly students who have a good experience at one or more of the Corinthian schools, but I wish to share a story that they are not featuring in their full-page ads, arguing that they should not be subject to oversight by the Department of Education.

Last year, Washington Monthly magazine told the story of a student named Martine. At the age of 43, Martine decided to go back to school and pursue a career in nursing. She came across a Web site for Everest College, part of the Corinthian Colleges chain.

Martine was promised hands-on training in state-of-the-art labs and rotations at the Los Angeles Medical Center. She was worried about the \$29,000 tuition but was told it would not be a problem. She was going to make \$35 an hour as a nurse.

When Martine filled out her paperwork, she was rushed through the process and was not told the terms of her loans, including private loans that carried double-digit interest rates.

The education did not prove to be what she had been promised. The instructors were inexperienced. The lab equipment was old and broken. Instead of the promised rotations at UCLA Medical Center, her clinical training consisted of passing out pills in a local nursing home.

Martine was unable to find a job after she graduated. Instead, she is working as a home health care aide, and she cannot pay back her student loans. She said: "I made one mistake, and I will be paying for it for the rest of my life."

Many of these for-profit colleges argue that we need them desperately because the community college system in America is filled. Not true. Over the last week, I went to Olive-Harvey College, part of the community college system in Chicago. They have new leadership that is inspiring. I said: What is your capacity?

They said: We are at about 50 percent of our capacity. We can absorb many more students in our community colleges.

The cost is a fraction of what these for-profit colleges charge. It is important we give to students the information about the variation in costs for education and training and what they can expect to receive. According to the Department of Education, Everest College in Skokie, IL, costs, on average, \$14,000 in tuition and fees for education.

Less than 3 miles away from the Everest campus in Skokie is a school you and I both know, Mr. President--Oakton Community College .

At Oakton, students can earn degrees in the same fields, same certificates for dramatically less. A certificate in medical billing, a program offered at Everest College --the private, for-profit school--for over \$10,000 will cost you \$1,000 at Oakton Community College , one-tenth the cost of this private school.

The Corinthian ad campaign suggests we do not think the students who are enrolled in their schools count. I disagree with them. I think they count for a lot. They count for our future. I would like to tell the students attending for-profit colleges, it is because they count that we are asking these hard questions.

I see another colleague on the floor, the Senator from Minnesota, so I will wrap up quickly and tell one thing I want students across America to know. First, the standards I wish to impose on for-profit colleges I also wish to impose on community colleges, public universities, and private universities. They should be accredited so their hours are worth taking. They should not promise a job leading from a certificate that is earned there if it is not true. They should have full disclosure to students about what it means to enter into a student loan, and they ought to have some revenue coming in other than the Federal Government.

For many of these, 75 to 90 percent of their revenue comes straight from the Federal Government. When the GAO did the undercover survey of what some of these for-profit schools are saying to students, some of these recruiters were saying to them: I am a recruiter, but I just finished college , and I have a big debt I will never pay back. I am going to have a good job and make a lot of money, so it is OK.

Do you know what happens when you default on a student loan in America? It is time we tell students what they get into if they get in over their heads with a worthless education.

Your loan will be turned over to a collection agency and they may charge 25 percent more to collect what you owe.

Your wages can be garnisheed; that is, they can take it right out of your paycheck.

Your tax refunds can be intercepted by the Federal Government if you still owe on a student loan.

Your Social Security benefits ultimately will be withheld if you end up in debt at that point in life from a student loan.

Your defaulted student loan will be reported to a credit bureau and will remain on your credit history for 7 years, even after it is paid. That means you may not be able to buy a car, a house or take out a credit card. It might be you cannot get a job because of your credit history. You cannot take out more student loans or receive Pell grants to go back to school.

You are no longer eligible for HUD or VA loans.

You could be barred from the Armed Forces and might be denied some jobs in the Federal Government.

I might also add, most student loans are not dischargeable in bankruptcy. When the bottom falls out and you go to bankruptcy court, that is the one that will still be hanging over you when you walk out of that court process.

We have to be honest with students across America and let them know what they are getting into when they get into student loans. I borrowed money. I went to a good school. I think it paid off for me. It was an important decision. I was not misled about my education. I knew what it would get, and I was willing to risk the debt to reach that goal, and it worked. That is a good thing.

For those who are misleading students and burying them deeply in debt, I can tell them the time of accountability has arrived. The Federal Government is going to keep its obligations to the students across America to help them with education, but these schools have an obligation to their students to be honest with them, to be accredited, and to produce training and education that leads to a good-paying job.

I yield the floor.