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Let's Stick to the Facts on For-Profit Colleges Regulations

As I wrote on September 23 in this space, here, the Department of Education's (DOE) attempt to put more stringent regulations on for-profit colleges is an example of good intentions gone awry. Rather than expanding college opportunities and fighting fraud, the proposed new "gainful employment" ("GE") rules would instead limit college access especially for minority students, raise taxpayer costs, and create new obstacles for employers eager to hire qualified workers.

The new rules target only for-profit institutions, a relatively small section of higher education. And for reasons not explained by the DOE, it has made no effort at all to hold public and private non-profit colleges to any similar standard for student debt and repayment limitations and job placement outcomes -- particularly puzzling since these schools are subsidized by tens of billions of dollars of direct federal and state grants and are the beneficiaries of the largest share of federally-backed student loans.

Even so, there remains a problem in the debate on this important issue that is fundamental -- and that is respect for the difference between ideology and facts. To put it bluntly and to paraphrase a well-known pundit, those who criticize for-profit schools are "entitled to their own opinions, but not their own facts."

In this spirit, I challenge three important "assertions of fact" by proponents of these regulations, including leaders at the DOE as well as some Democrats in the U.S. Senate, that are false or misleading, or both.

First:

- Repayment Rates -- Asserted fact: that the regulations are needed because the

"profit" in the for-profit colleges yields lower repayment rates than at non-profit and public colleges.

- Actual fact: Repayment rates are a result of the demographic and socio-economic status of the students who take out the loans, not the tax status of the colleges they attend. See, e.g., independent study by Mark Kantrowitz, an independent financial aid professional (found here) and Professor Jonathan Guryan, Ph.D, a professor in economics at Northwestern University, whose comments to this effect regarding the proposed gainful employment regulations were submitted to the DOE (found here).

  Mr. Kantrowitz's data leads to especially troubling conclusions for those who are concerned about low-income and minority students: that the more minority students are in a college, the more they are likely to fail one or both of the two tests in the GE regulations -- debt-to earnings and repayment rates.

  No wonder so many members of the Democratic Congressional Black Caucus have written letters of concern to DOE Secretary Arne Duncan, as well as many other leaders of minority communities who have expressed the same concerns, such as Rev. Jesse Jackson, and Rev. Al Sharpton, regarding these regulations as currently drafted and support serious changes before final issuance.

  Isn't it troubling (at least to fellow liberal Democrats, such as myself) that a progressive Democratic administration seems indifferent or determined to go full steam ahead and ignore a disparate racial and economic effect of these regulations on a core Democratic Party base -- minorities and lower income people who comprise most of the for-profit colleges students adversely affected by these proposed regulations? And just before an election day when the president and Democratic Party leaders are seeking a large turnout from that base?

Second:

- Cost to Taxpayers -- Asserted facts: Critics assert that regulations are needed because for-profits cost federal tax payers too much money each year. DOE uses the number26.5 billion as the latest total annual "federal aid." Senator Harkin repeatedly uses the number24 billion. Both are false and misleading.

- Actual fact: The data proves that public colleges and private not-for-profit colleges cost taxpayers substantially more money per student at four-year colleges than for-profit colleges. (See recent analysis by noted economists Dr. Robert Shapiro and Dr. Nam Pham, available here.) A recent analysis by Charles River Associates concluded that career colleges cost the taxpayers25,000 less per graduate than community colleges or other public two-year institutions.

  With $20 billion in annual student loans to students attending for-profit colleges, the DOE's own data calculates that the projected cost of student loan defaults at these for-profit colleges -- net of recoveries after defaults - is about one percent to be written off as entirely non-collectible, or less than $200 million - not the $26.5 billion or $24 billion misleadingly cited by the DOE and Senator Harkin, respectively.

Third:

- Inferior Job Placement - Critics assert that for-profit schools have dismal graduation

and job placement rates, leaving students with large debts and bleak earnings potential, as compared to private not-for-profits and public colleges.

- Actual fact - For-profit college graduation rates at two year institutions exceed 55 percent, significantly higher than those at community colleges. Yet no mention was made of that fact during the much-touted White House meeting focusing just on community colleges, which totally omitted any reference to for-profit colleges and the predominantly low-income and minority students they serve. For-profit schools have produced millions of success stories, helping students prepare for and find new jobs, advance their careers and earn higher pay. Graduates find jobs in a wide range of high-demand professions as nurses and health care aides, computer professionals and programmers, chefs and retail managers, solar and wind energy technicians. If Senator Harkin wanted to hold 10 hearings, he could fill the HELP Committee panels with real people telling those real success stories. Instead, not one single career college student was allowed to appear to tell a single success story at a single HELP Committee hearing on this issue.

  As I wrote in this space several weeks ago, there is a vague and uneasy aroma of elitist double standards going on here. The Harvard or Stanford students majoring in ancient history or anthropology, with difficulty finding jobs in those fields, would be unaffected by these proposed regulations. Yet a minority or low-income student training to be a health care assistant or computer technician or chef would face two new debt and repayment rate tests that could have adverse effect on the institutions under the Department's rules. Why is there such a distinction?

  Am I wrong in seeing a double standard here? Why can't Secretary Duncan fix the rule to eliminate its unintended but clearly discriminatory impacts? And why not apply any final rule to all schools -- even, if necessary, by seeking additional congressional authority to do so to ensure evenhandedness? Why not treat the low-income, full-time working parent studying at night at a for-profit college in a two-year program to be a medical assistant the same as a full-time Yale student majoring in philosophy?

By relying on problematic facts, the Department of Education has created a problematic policy. Before finalizing any new rules, it should first finalize its facts. The proposed rules need to be fixed to mitigate their effect on low income and minority students and to apply them across the board -- to for-profit colleges as well as non-profit and public colleges.

Certainly there should be no last minute rush to put into effect by November 1 even a portion of the gainful employment regulations, such as those applicable to new programs, without full review. To do so would be contrary to the spirit if not the letter of the commitment the Secretary made to take into account the more than 90,000 comments made about the gainful employment regulations. It would smack of a rush-to-regulate not becoming and not justified.

One thing we should all agree on -- it's time for Secretary Duncan to put the amber light on and be sure, no matter what, to base such far-reaching regulations on the facts, and only the facts.

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