

NEWS RELEASE

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Student Groups Support Strong Rules to Decrease Student Loan Debt at For-Profit Colleges

WASHINGTON, June 15 – On Tuesday, the U.S. Department of Education issued new ‘program integrity’ rules to maintain the quality of the federal financial aid program while protecting students enrolled in vocational programs. The U.S. Public Interest Research Group and the U.S. Student Association advocated for strong rules to shield students from deceptive recruitment tactics and unscrupulous lending.

“Evidence has mounted that the career education sector relies on high-pressure sales tactics to recruit students and loads them up with debt to pay for programs that provide them little benefit,” explained Christine Lindstrom, USPIRG Higher Education Program Director.

University of Phoenix’s parent company recently paid out close to \$80 million to settle with the US Department of Education against charges that it violated a federal ban to reimburse recruiters based on the number of students they recruited. Corinthian Schools in 2007 settled for \$6.5 million with the California Attorney General’s office for using false salary and job placement information to persuade students to enroll.

Nearly half of the student loan borrowers who entered repayment in 2007 and defaulted on their loan by 2009 attended a for-profit college. These programs target the nation’s most vulnerable populations.

"Students of color, low-income, and first generation students, deserve education programs that require low-to-no debt and result in jobs with salaries high enough to move forward in their lives," said Gregory Cendana, president of USSA.

The US Department of Education sought to curb consumer abuse through closing loopholes within regulation that allowed schools to pay recruiters based on the number of students enrolled and the amount they borrowed. The loopholes have created an environment of high-pressure sales tactics and even cases of deceit, causing students to assume debt levels for their education that they will not be able to repay.

Federal law prohibits schools from offering any financial incentives or commission to recruiters.

The Department plans to issue another rule later this month around the ‘gainful employment’ provision. To receive federal aid, career certificate programs must prepare their students for gainful employment. But this is a term that has no definition and schools looking to gain access to federal aid have been able to abuse this requirement. As a result, schools are getting federal aid for enrolling students in programs that plunge them into debt for an education that doesn’t improve their livelihood.

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The United States Student Association, the country’s oldest and largest student-led organization, represents over 4.5 million students at over 400 campuses across the nation. We work to develop current and future leaders and amplify the student voice at the local, state, and national levels by mobilizing grassroots power to win concrete victories on student issues.

For details or to arrange an interview, contact Jake Stillwell at 202.640.6570 ext.572 or media@usstudents.org