



## **Achieving the Vision of the Higher Education Opportunity Act**

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By

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I am Harris N. Miller, president of the Career College Association, and I am pleased to address this Department of Education Regional Field Hearing. We commend the Department, particularly Secretary Spellings, for her leadership and vision in assuring that the Higher Education Act reauthorization yields meaningful and workable reforms to higher education in this country.

The Career College Association (CCA) is a voluntary membership organization of accredited, private postsecondary schools, institutes, colleges and universities that provide career-specific educational programs. CCA has more than 1450 members that educate and support over one million students each year for employment in over 200 occupational fields. CCA member institutions provide the full range of higher education programs: masters and doctoral degree programs, baccalaureate degree programs, associate degree programs, and short-term certificate and diploma programs. All CCA members must be licensed by the state in which they are located; accredited by a national or regional accrediting body that is recognized by the U.S. Department of Education; and approved by the U.S. Department of Education. Many also participate in other federal, state and local education and workforce training programs.

My time is short so I would like to focus on two issues of paramount importance to the career education sector: 90-10 rules and revisions to the cohort default rate calculation. This is not to downplay the significance of other key provisions in the Act, which we

believe will bring important and much needed improvements in areas such as borrower notifications, preferred lender lists, college cost transparency and student outcomes. We have attached a list of additional issues that we look forward to working with the Department in the negotiated rulemaking process on.

In a time of great anxiety about the current and future status of credit markets, it is absolutely critical to the 2.8 million students in career higher education that reforms to the 90-10 rules be undertaken with surgical precision and exceptional care. For many students coming from working class and lower income backgrounds, often independent, working adults, access to private loans to pay for college has been hampered, even blocked by more stringent lending criteria. The loss of these private loan sources has placed great pressure on the ability of many institutions to serve both less affluent populations and to meet the federal government's 90-10 tuition funding threshold.

Congress wisely realized the impact of the credit crisis on America's working students, and lawmakers crafted changes to 90-10 that serve as a temporary relief valve to release some of the pressure on the lending system.

Now we need to get the implementing regulations right. For instance, in the past, career colleges have been limited in the non-Title IV program revenue they can include in the 10 percent calculation. The HEA reform allows revenue from non-Title IV programs that have been approved by the state or an accrediting agency. As a practical matter, however, the state or accrediting agency will not perform a program by program review. In developing the implementing regulation, we urge the Department to adopt a rule that allows program revenues to be included so long as such programs are considered part of an overall institutional accreditation or the programs do not otherwise require a specific state approval.

The reforms also allow non-Title IV program funds to be included in the 10 percent calculation for programs that provide an "industry-recognized" credential. Interpretation of "industry-recognized" is apt to vary among competing professional and certification testing bodies. We suggest, therefore, that the Department allow the marketplace to be the arbiter and allow any credential recognized by some segment of a given industry.

The Department will also be addressing difficult and, if developed without sufficient care, potentially damaging accounting rules for institutional loans. To relieve the credit crunch, HEA allows institutions to include the net present value of loans they themselves make to students between July 1, 2008 and June 30, 2012 in the 10 percent calculation. In writing the implementing regulations, the Department needs to realize that career colleges initiate multiple class starts throughout the year. Requiring schools to disperse funds on a class start by class start basis will be an accounting nightmare, causing confusion and delays for students and unwarranted costs for institutions. A far better course will allow institutions to provide a single loan at the beginning of the student's academic year with the loan itself spread out over the institution's fiscal year. While the law states that loans must be subject to regular repayment and collections, payment

deferments until after graduation, if in keeping with institution practice, should be allowed to give the student every chance of academic success.

Many schools currently have institutional loans and have been following the regulations. We welcome the new changes, but do not believe that all schools should be forced to change their accounting methods. Schools should be able to elect to continue institutional loans under the current regulations. Nothing in the new law eliminates or repeals the current regulations.

The HEA 90-10 rule reforms allow the recently enacted \$2,000 FFEL program loan ceiling increase to be included as non-Title IV revenue in the 10 percent calculation. Again, to achieve the added flexibility lawmakers clearly intended, the Department must exercise caution in crafting the implementing regulations. Federal financial aid is divided into multiple disbursements and this extra amount will likely overlap fiscal years. We suggest that the accounting rules allow the extra amount to be attributed to each payment period in proportion to the total loan as originally packaged. Should the student drop out before all funds are disbursed, the full extra amount should not simply be reattributed back to the original loan and therefore excluded from the 10 percent calculation.

As a final point on the 90-10 reforms, we ask that the Department include in its negotiated rulemaking process only those higher education institutions affected by the 90-10 restrictions: career colleges. Allowing others without a direct connection to this issue to participate is like allowing non-pilots to help fly the plane. They may have a point of view, they may find the proceedings interesting, but giving them a seat at the controls would simply be wrong for the millions of students depending on career education as the “flight path” to a better life.

Career colleges serve a population that is largely underserved by traditional higher education. Our students tend to be the first in their families to pursue higher education, more likely to be economically independent, more likely to be older, and more likely to be juggling the conflicting realities of job, children and school. Little surprise, therefore, that they are also more likely than their more affluent traditional college student counterparts to default on their student loans. On the contrary, parity in default rates for those starting life at the lowest rungs of the economic ladder would be nothing short of astonishing.

So changes to the cohort default rate calculation hit our students and their institutions particularly hard. Empirical research tells us that increases to the cohort default rate are the product of student behavior, not the failure of institutions to deliver quality education. A study commissioned by CCA and conducted by the Indiana University School of Education found no linkage between the type or quality of educational institutions and the rate at which borrowers default on their student loans. Indiana University performed a literature review of 41 studies of student loan default between 1978 and 2007.

Even so, many critics of career education continue to view the cohort default rate as indicative of educational quality, and they have pressed to have the scope of the

calculation expanded. HEA adjusts the time horizons for calculating the cohort default rate, extending the period from one year to two years, beginning in FY 2009. HEA mandated changes increase the percentage threshold for imposing sanctions from a default rate of 25 percent to 30 percent. Schools with a default rate of 30 percent in any one of the preceding three years risk loss of Title IV eligibility.

The career education sector understands the need to minimize cohort default rates to the greatest extent possible, and the Career College Association is committed to working with its member institutions toward this end. At the same time, however, we ask that the Department of Education understand the root cause of student loan defaults and how a less affluent student population, with fewer resources to repay student loans at the outset, is likely to be buffeted by a weak economy going forward. We urge the Department to adopt a policy of wide latitude and reasonable forbearance in imposing sanctions on schools exceeding the CDR threshold. Any other policy is apt to foreclose access to higher education for those most dependent on career education for upward mobility.

Thank you for the opportunity to provide these remarks. CCA looks forward to working with the Department in the negotiated rulemaking process and developing regulations that best serve the interests of students, institutions and a globally competitive 21<sup>st</sup> workforce in the United States.