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Chairman Carper, Ranking Member Coburn, and distinguished Members of the Committee, thank you for the opportunity to testify before you today concerning higher education for our nation's servicemembers and their families. As you know, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which was signed into law on July 21, 2010, established the Consumer Financial Protection Bureau (CFPB) as an independent bureau within the Federal Reserve System and charged it with ensuring that consumers have timely and understandable information to make responsible decisions about financial transactions. In addition, the law assigns my office, the Office of Servicemember Affairs (OSA), the responsibility to "educate and empower service members and their families to make better informed decisions regarding consumer financial products and services." I am happy to take part in a dialogue like today's hearing, to ensure that military families have all the information they need to make sound decisions about where and how they spend their military education dollars.

The government has provided a number of benefit programs to assist servicemembers and, in some cases, their family members, to gain a post-secondary education. The largest and most significant are the GI Bill, which may be used mostly after military service in pursuit of a college or technical degree, and the Military Tuition Assistance (TA) program, which is designed to be used to take courses while on active duty. These are valuable benefits and I think we would all like to see them replicate the success story that happened after World War II, when a generation of veterans came home, went to college on the GI Bill, and became the engine that drove our economy to tremendous success.

Holding at least a bachelor's degree is a "must" for many jobs in today's economy. And studies have shown that a college degree tremendously increases one's lifetime earnings potential. So we're seeing a new generation of servicemembers and veterans who are eager to earn advanced degrees, hoping to give themselves the best possible chance for success—both in the military and beyond. And many for-profit colleges are eager to enroll them as students, due in no small part to the "90-10 rule" created by the 1998 amendments to the Higher Education Act (HEA). Put simply, the 90-10 rule says that a for-profit college has to obtain at least 10 percent of its revenue from a source other than Title IV federal education funds. The rule has been explained as being necessary to ensure that a college does not exist solely on federal funds, but offers an education valuable enough that people are willing to pay for it through other means.

Although TA and the GI Bill are certainly federally funded, they are not Title IV student aid funds administered by the Department of Education (ED), and that puts them squarely into the

10-percent category of the 90-10 rule. This means that for every servicemember using TA or GI Bill funds (as well as the spouse or child of a servicemember, in the case of the Post 9-11 GI Bill) that a for-profit college recruits, the college can then go out and enroll nine other students who are using Title IV funds. And that can be a problem.

This has given some for-profit colleges an incentive to see servicemembers as nothing more than dollar signs in uniform, and to use some very unscrupulous marketing techniques to draw them in. To give some examples that I've heard in my travels around the country:

- An active-duty military spouse at Fort Campbell, Kentucky, told me that she was attending a "military-affiliated college" (she wasn't; it was a for-profit school with no official military status, but she had been given this impression by the recruiter). After she filled out an interest form she was called multiple times per day until she enrolled. But when she had trouble logging on to her online class, she couldn't get anyone from the college to help her. She failed the class due to lack of access, but was charged the full fee anyway.
- National Guard education officers in Ohio and North Carolina told me they are besieged by for-profit colleges desiring access to the troops. They noted that if one of their National Guard units holds a job fair, over half the tables may be for-profit colleges, and that servicemembers may see a school's presence at a job fair as an implied promise that you will get a job if you graduate from that school.
- In Nevada, I spoke with a woman from the VA Regional Office who was overseeing vocational rehabilitation for veterans. She told me that she had patients with traumatic brain injury (TBI) and post-traumatic stress disorder (PTSD) who had been persuaded to sign up for classes at for-profit colleges, and didn't even remember doing so. That didn't stop the colleges from pressing them for full payment, even though they were not regularly attending classes. She said that some of the schools were also pushing her patients to enroll in master's degree programs even though they were not capable of doing the work. Their tactics were aggressive enough that she described it as "tormenting veterans."
- At Joint Base McGuire-Dix-Lakehurst in New Jersey, I discovered that a military spouse who was employed by a for-profit college had a regular standing appointment at the Wounded Warrior barracks to provide educational counseling – the only college rep with that access.

The overall cost to the government of the GI Bill and TA has soared in recent years. According to VA records, while the number of individuals using Department of Veterans Affairs (VA) education benefits has roughly doubled since 1998 – from less than 500,000 recipients to nearly 1 million– the monetary cost has grown ten-fold, rising from less than one billion to nearly ten and a half billion dollars.¹ And the cost of TA has also grown exponentially, on what I have heard described as an unsustainable upward trajectory, with for-profit colleges taking an increasing share of those TA dollars. In 2011, for-profit colleges collected one of every two TA dollars, totaling \$280 million of the \$563 million disbursed during the year. This is an 8%

¹ This information was provided by The Department of Veteran Affairs.

increase over 2009, when for-profit schools collected 42% of the \$515 million in TA funds disbursed.²

If the TA benefit is cut back at a future date and servicemembers are asked to pay a greater share of the cost of courses taken under the TA program, it's possible that colleges may encourage servicemembers to "top up" the costs by using their GI Bill benefits, or by using other loans to fill the gap. And with the 90-10 rule as it now stands, it would be in the financial interest of a for-profit college to drive servicemembers not to a Title IV loan, but instead to the school's own private student loan arrangement – even though it is likely to be more expensive – in order to keep those revenues in the ten percent category for purposes of the 90-10 rule.

According to a study in 2012 by the Senate Committee on Health, Education, Labor & Pensions (HELP), for-profit schools spend a substantial amount of money on marketing: 23% of their revenue in the case of the schools studied by the HELP Committee. One effective way to market to the current generation of students is online, and there have been concerns about lead-generation websites with URLs or names that use "GI Bill" or "Military" in their titles in order to market to servicemembers. Although some presented themselves as offering unbiased, helpful advice on GI Bill benefits, they actually served to direct visitors to the limited list of schools that were funding the site. We showed one such site, GIBill.com, to the Attorney General of Kentucky during a visit to Fort Campbell, and he was joined by 19 other AGs in pursuing a case against the site's owner, Quin Street, that led to substantial changes to that company's websites, monetary damages, and the agreement to turn over the URL GIBill.com to the VA. Subsequently, the VA copyrighted the term "GI Bill" in an effort to prevent future such abuses. And when I searched "GI Bill schools" recently on Google, I was pleased to see that the majority of the first-page results now lead directly to the VA.

The OSA, Congress, and the state Attorneys General are certainly not the only ones to take an interest in how military education benefits are being used. President Obama has taken extraordinary steps to address the issue, as well. In April 2012, I watched him sign Executive Order 13607, "Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members" and since then, the CFPB has been working in concert with the VA, Department of Defense (DoD), ED and the Department of Justice (DOJ) to implement its provisions.

As part of those efforts, the VA, DoD and ED are poised to launch a centralized complaint system for students receiving military tuition assistance and GI Bill benefits, so they can register complaints about educational institutions that fail to follow the Principles. Now that servicemembers, veterans, and family members will have a centralized place to share their stories and seek resolution to their issues, I believe we will have a clearer picture of what is happening on the ground. And I challenge schools to be ready to start resolving these complaints as they come in.

Another requirement of the President's Executive Order is for ED, in consultation with DoD and the VA, to collect from schools information about the amount of funding those schools are

² http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

receiving from the Post-9/11 GI Bill and TA programs. Previous efforts to collect and analyze this type of data did not succeed because the VA and DoD's lists of approved programs did not sync with ED's lists of schools. But now ED, DoD and the VA are working on a data crosswalk that links ED's database of schools (over 7,000 institutes of higher learning) to the VA's lists of approved programs (over 30,000). The data crosswalk will allow the VA and ED to share data about schools across agencies, improve consumer information available to beneficiaries, and allow VA to track outcome measures that compare education benefit programs.

The crosswalk will also allow policymakers to accurately assess which schools would be in danger of violating the 90-10 rule if military and veterans' education benefits were included in the calculation.

OSA is certainly not the only, or even the primary, office at the CFPB interested in these issues. CFPB has an Office for Students led by our Student Loan Ombudsman. He has reported to Congress on student loan issues, and has raised concerns about both the amount of student loan debt being carried by Americans, and problems servicing those student loans. Under his leadership, CFPB has developed a suite of products for the Bureau's website, consumerfinance.gov, intended to help individuals identify useful information about student loan issues. And in partnership with ED, we've developed a financial aid shopping sheet to improve the way schools communicate financial aid offers. Colleges and universities could use this shopping sheet to help students better understand the type and amount of grants and loans they qualify for. The shopping sheet could also be used to help students easily compare aid packages offered by different institutions. As of July 11, 2013, over 750 schools³ have adopted it for all of their students and over 6,220 campuses⁴ have agreed to offer the shopping sheet to students receiving federal military and veterans educational benefits.

As part of CFPB's Paying for College suite of tools, we built the federal government's only online GI Bill benefits calculator. CFPB's GI Bill calculator informs veterans and their family members what their Post-9/11 GI Bill benefits are worth at different educational institutions. As part of the President's Executive Order, the VA is also working to build a GI Bill benefits calculator and is leveraging CFPB's existing tool to develop their calculator.

CFPB's Office for Students also partnered with my office to produce a report on the servicing of military student loans, an area where we are seeing troubling similarities to the mortgage-servicing crisis of recent years. For example, borrowers may have trouble finding out who currently owns their loan, which may have been securitized and sold. As our report indicates, student loan holders are facing a number of challenges, including an inability to get timely and accurate answers to their questions or have corrections made to their account when an error is

³ <http://www2.ed.gov/policy/highered/guid/aid-offer/shopping-sheet-institutions.xls>.

⁴ http://gibill.va.gov/resources/education_resources/Principles_of_excellence/poe_list_2012.html.

made by the lender. Our report⁵ also raised concerns that student loan repayment benefits for military service can be complex, confusing, and even conflicting with one another.⁶

In conclusion, there are some very worthwhile efforts underway to improve the ability of military personnel, veterans and their families to learn more about the schools where they may choose to spend their hard-earned education benefits. However, it seems prudent for Congress to examine whether the 90-10 rule in its current form is a sensible framework, given the significant increase in the number of veterans receiving benefits under the Post-9/11 GI Bill. As long as the 90-10 rule adds a significant extra incentive for for-profit colleges to enroll military students, this concern will remain.

Although there may be some for-profit colleges with solid academic credentials and a history of success for their graduates, some for-profit colleges have low graduation rates and a poor gainful employment history.⁷ They also tend to have a higher-than-average student loan default rate, which can be an indicator that students are being recruited with little concern for their ability to do the coursework, graduate, and repay their loans. Although the Association of Private Sector Colleges and Universities recently convened a “blue-ribbon” task force to make recommendations for best practices for military and veteran students, one of the recommended best practices was simply that schools “consider... assess(ing) academic readiness prior to enrollment,” which indicates that there is still plenty of room for improvement.⁸

For veterans, the GI Bill should provide the opportunity to build a better future. We all want our veterans to become successful, productive contributors to our society. Education can be the key to that success, and the wonderful education benefits provided to our military and their families through TA and the GI Bill should not be channeled to programs that do not promote – and may even frustrate – this outcome.

Thank you for the opportunity to testify before the Committee.

⁵ Consumer Financial Protection Bureau: The Next Front? (2012). See <http://www.consumerfinance.gov/reports/the-next-front-student-loan-servicing-and-the-cost-to-our-men-and-women-in-uniform/>.

⁶ For example, the Federal Perkins Loan provides for principal reduction for certain service in an “area of hostility.” However, to take advantage of Public Service Loan Forgiveness, the servicemember must convert the Perkins Loan into a Direct Consolidation Loan. This new Direct Consolidation Loan may not qualify for the Servicemembers Civil Relief Act rate cap. Members of the Judge Advocate General corps have shared with the CFPB that this process is very challenging.

⁷ http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf (see 55 n.158, 73, 120-121).

⁸ Association of Private Sector Colleges and Universities, *Best Practices for Military and Veteran Students*, Pg. 6, Issued Feb. 2013, available at http://www.apscu.org/policy-and-issues/federal-issues/military-veterans-ed/upload/MVBP-Brochure_Feb2013.pdf.