



STATEMENT OF PAULINE ABERNATHY
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Final Rules Curb Student Aid Fraud and Aggressive Marketing *Additional changes needed to protect students and taxpayers*

“The final rules issued today are a big win for students and taxpayers. It is especially significant that these rules restore the ban on incentive compensation, so that college representatives can no longer be paid based on the number of students they enroll. This important change closes loopholes that led to boiler-room style sales tactics at some colleges, with recruiters doing and saying whatever it took to get students to sign on the bottom line. A recent undercover investigation by the U.S. Government Accountability Office (GAO) showed how common aggressive and abusive recruiting tactics have become at for-profit colleges. GAO investigators found that 15 out of the 15 for-profit colleges they visited engaged in fraudulent, misleading and/or deceptive recruiting practices. The new rules also tackle other areas of fraud and abuse, including the falsification of test results to make unqualified students eligible for federal grants and loans.

“These rules are an important start, but much more needs to be done to protect students and taxpayers. The ongoing Senate hearings, GAO reports, and recent actions by two state attorneys general all point to the need for further action so that taxpayers are not subsidizing career education programs that routinely leave students deep in debt they cannot repay. A [broad coalition](#) of student, consumer, college access and civil rights organizations is counting on the Obama Administration to issue a strong and effective definition of gainful employment that goes into effect in 2012. The Education Department should also use every tool at its disposal, including administrative and enforcement actions, to put additional protections in place for students and taxpayers beginning in 2011.

“The final rules issued today will also streamline the process of verifying the accuracy of students’ financial aid applications, which will help more students receive the aid they qualify for. Under the final regulations, financial aid offices must only confirm the accuracy of specific items flagged for possible errors, rather than a fixed list of items regardless of their relevance. The rules also clarify that schools do not have to verify tax data from the Internal Revenue Service that students electronically transfer into the Free Application for Federal Student Aid (FAFSA). This will be particularly helpful for schools and students once all applicants are able to use their IRS data in this way. These are important steps in the right direction, and we urge the Department to provide colleges with clear guidance so that the new rules do not inadvertently increase, rather than decrease, verification burdens for both students and schools.”

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An independent, nonprofit organization, the Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. For more about our programs and initiatives, including the Project on Student Debt, see <http://ticas.org>. Follow us on Twitter: http://twitter.com/TICAS_org