



STATEMENT OF PAULINE ABERNATHY
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Proposed Education Department Rules Would Curb Financial Aid Fraud and Abuse

Final Gainful Employment Definition Needed by November 1

“Today the U.S. Department of Education proposed important new regulations aimed at ensuring that taxpayer dollars are spent appropriately and effectively on federal student aid. The rules cover 13 of the 14 ‘program integrity’ issues that were part of a negotiated rulemaking process begun last year.

“We are especially pleased that the proposed rules bring the Department’s policies back in line with federal law banning ‘incentive compensation.’ For the past eight years, a dozen loopholes have allowed schools to pay their employees and contractors based on the number of students they enroll, how many students take out loans, and other practices clearly prohibited by law. These loopholes have led to high-pressure and deceptive sales tactics that can leave vulnerable consumers with staggering debt and no way to pay it back.

“In the past few years, large for-profit colleges have come under increasing scrutiny and paid large settlements over charges of improper incentive payments, false claims of job placement rates and salary figures for their graduates, and other recruitment-related abuses. Recent investigations have found career colleges that aggressively recruit at homeless shelters or falsify test results to make unqualified students eligible for federal grants and loans. These new rules will help protect both consumers and taxpayers from such exploitation.

“Other topics covered by the new proposed rules also have significant implications for students, colleges, and taxpayers, such as how schools are required to verify students’ eligibility for aid and when aid must be disbursed. The proposed rules also include some new disclosure requirements for career education programs. We will address these and other issues in more detail during the 45-day comment period.

“Secretary Duncan said today that the Department will issue the draft regulations on the remaining program integrity issue, the definition of gainful employment, shortly. We urge the Department to do so in time for these rules to be finalized by November 1 and go into effect in 2011. Students and taxpayers shouldn’t have to wait yet another year to be protected from career education programs that over-charge and under-deliver. Under federal law, career education programs may not participate in federal student aid programs unless they ‘prepare students for gainful employment in a recognized occupation,’ but there is currently no definition of gainful employment. Last month we and more than 30 other organizations that advocate for students, higher education, consumers, and civil rights sent a letter urging Secretary Duncan to propose a meaningful definition of gainful employment to effectively protect students and taxpayers.”

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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. The Institute’s Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see www.projectonstudentdebt.org and www.ticas.org.