Select Committee on Student Debt
TICAS Testimony
December 4, 2019

Thank you for the invitation to provide information on how for-profit colleges contribute to the student debt struggles of Californians.

The Institute for College Access & Success is a nonprofit, nonpartisan research and policy organization with headquarters in Oakland and Washington, D.C. TICAS focuses on federal and California state policy aimed at improving college affordability, equity, and accountability.

Student debt is a problem for many students, but its impact can be especially outsized for students at for-profit colleges. Graduates of for-profit institutions are more likely to have debt than their peers from public and nonprofit schools, and they generally end up with more debt overall from their educations: Nearly 65% of students at California four-year for-profit schools take out loans to pay for their education, almost twice as many as the number of students that take out loans to attend public programs (38.7%). Graduates from four-year for-profit schools leave with an average of $31,345 in debt, nearly twice as much as students graduating from California's public universities.[1]

Particularly troubling are the struggles these students face when it comes to repaying their debt. While students at enrolled at for-profit colleges represent only 9% of the higher education students in California, they account for half of the student loan defaults in the state. The U.S. Department of Education recently released updated data on how well borrowers are paying down their debt, more than half (55%) of borrowers from California schools who are not paying down their principle had attended for-profit colleges.

When California students are harmed by for-profit institutions, low-income families, African Americas, and women are disproportionally affected: nearly 55% of students enrolled at for-profit colleges are low-income, 15% are African American, and 63% are female, all higher than average percentages when compared to public and nonprofit private schools.[2] Bad actors in this sector have historically targeted disadvantaged groups – the students in most need of the benefits higher education can offer yet who can least afford the debt.

Concerns about poor quality programs leading to unaffordable debt led the Obama administration to create the Gainful Employment rule, which required poorly performing programs to improve in order to stay eligible for federal financial aid. Data made available under the rule showed that, among California schools alone, more than 56,000 students graduated from the worst-performing programs, virtually all of them at for-profit schools, with $930 million in debt to repay.[3] The rule has since been rolled back by the Trump Administration. The Trump Administration has also taken steps to scale back rules providing student loan discharges to students in connection with fraud or other illegal activities of their colleges, and is not processing the claims of 210,000 applicants.[4] State-level accountings of the claims by state, for both total claims submitted and claims still pending, show that more than one in in five claimants are from Californians.[5] The Trump Administration's own version of the rule, finalized in August, will leave

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[1] https://www.responsiblelending.org/map/pdf/ca.pdf
[2] https://www.responsiblelending.org/map/pdf/ca.pdf
[3] https://ticas.org/accountability/how-much-did-students-borrow-attend-worst-performing-career-education-programs-need-strong/
[4] U.S. Department of Education. Borrower Defense to Repayment Loan Forgiveness Data. Available at: https://studentaid.ed.gov/sa/about/data-center/student/loan-forgiveness/borrower-defense-data.
[5] U.S. Department of Education. Borrower Defense to Repayment Loan Forgiveness Data. Available at: https://studentaid.ed.gov/sa/about/data-center/student/loan-forgiveness/borrower-defense-data.

borrowers to repay 97 percent of all the debt incurred on the basis of colleges' misconduct, according to the administration's own estimates.[6]

Despite all of this, California has taken steps to try to address the risks faced by students at for-profit institutions. In 2019, the state passed three bills which will allow California to step forward to protect students even as the federal government has stepped back.

First, AB 1340 by Asm. Chiu established a path towards making reliable, state-verified data about post-college employment outcomes available to students at for-profit colleges in California for the first time. This improved data will benefit both students and lawmakers as they evaluate which schools are preparing Californians for good jobs and which are not.

Second, AB 1344 from Asm. Bauer-Kahan improved the State's oversight process for out-of-state online schools which enroll Californians. Most Californians enrolled in online programs attend California-based schools, but those who enroll outside of the state are at schools where students are less likely to pay down their debt, and more likely to default on it.[7] Retaining and using California's authority to oversee these schools is critical to protecting Californians from unaffordable debt.

Third, AB 1346 by Asm. Medina expanded relief for students seeking to rebuild their lives after their schools close. Going forward, students will be able to claim relief for any debt incurred to obtain their education, whether it was used to pay for tuition or housing or any other recognized cost of attendance.

2020 will also bring more opportunities for California to improve oversight of for-profit schools, because the Bureau of Private Postsecondary Education – the agency charged with oversight of California's for-profit institution - will be up for sunset review and reauthorization. That process has historically represented an opportunity to evaluate what is working well at the Bureau and what needs improvement. TICAS looks forward to working with the members of this committee in 2020 on these issues, and partnering with you to ensure that the Bureau is reauthorized in a way that enhances oversight of colleges, along with protections for students. While any agency has room to improve, the Bureau serves an essential oversight and consumer protection role for some of California's most vulnerable students, and it is imperative that those students be well served by the State.

Thank you for the opportunity to share these thoughts with you today, and I welcome any questions.

[6] https://ticas.org/accountability/defrauded-students-left-holding-the-bag-under-final-borrower-defense-rule/
[7] https://ticas.org/wp-content/uploads/legacy-files/pub_files/nc-sara_ca.pdf