

Testimony of the Center for Responsible Lending

Before Connecticut Higher Education and Employment Advancement Committee

February 18, 2016

Chairman Bartolomeo and Chairwoman Willis, thank you for the opportunity to submit written testimony for today's hearing on Raised Bill 5071, an Act Requiring Connecticut to Participate in the State Authorization Reciprocity Agreement Regarding Distance Learning Programs.

My name is Lisa Stifler. I am a Senior Policy Counsel at the Center for Responsible Lending, a non-profit, non-partisan policy and research organization dedicated to building family wealth through the elimination of predatory lending practices. We are affiliated with Self-Help Credit Union, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers.

Over the past few years, the Center for Responsible Lending has been engaged in research and policy regarding for-profit institutions of higher education. I am submitting this written testimony to share CRL's work and insight as you consider Raised Bill 5071, a bill that has the potential to cause significant harm to Connecticut residents seeking distance education opportunities. Specifically, we believe that two of key consequences of the Uniform State Authorization Reciprocity Agreement (SARA) are: 1) elimination of local, state-centered control over distance education in the state; and 2) holding distance education providers to insufficient standards.

The growth of distance education over the past decade is undeniable. According to the Babson Survey Research Group, in the last decade, institutions of higher education have seen a 23% increase in online enrollment.¹ Nationally, of the students that are enrolled exclusively in online higher education, nearly half (47%) are located in states different than where the institution is located.² At public institutions 84% of exclusively distance education students are located in the institution's home state.³ Conversely, among for-profit schools, a full 75% of exclusively distance education students are located in a different state.⁴

It is these Connecticut students whose educations hang in the balance. Abuses by for-profit schools are well-known. These predatory practices include misrepresentations of graduation rates, job placement rates, and likely earnings, all the while engaging in high-pressure sales

¹ Doug Lederman, "Growth of Online Learning," Inside Higher Ed (Jan. 18, 2013), <https://www.insidehighered.com/news/2013/01/08/survey-finds-online-enrollments-slow-continue-grow>.

² I. Elaine Allen and Jeff Seaman, Babson Survey Research Group, *Online Report Card: Tracking Online Education in the United States*. (Feb. 2016), <http://onlinelearningsurvey.com/reports/onlinereportcard.pdf>.

³ *Id.*

⁴ *Id.*

tactics in attempts to enroll as many students as possible.⁵ As a result, students are left stuck in debt, often without a degree or any measurable benefit or greater earnings.⁶

Students of color are at particular risk. CRL research found that African-American and Latino students are more likely to enroll in for-profit degree-granting schools, compared to non-profit and public institutions. These students take on more debt, are less likely to graduate, and are more likely to default on their student loans.⁷

If the state of Connecticut were to enter into the SARA, the state would be exposing its residents to these harms and hampering its ability to address abuses. When a state decides to join SARA, the most important consequence is the elimination of local, state-centered control over the approval of institutions recruiting and enrolling students in the state. The state will no longer have regulatory authority, such as resolving complaints or enacting stronger standards than SARA provides, over out-of-state institutions that harm residents of the state. Instead, the state will have to rely on the judgment of other member states.

The risk is clear. States with lax standards may authorize predatory or abusive institutions to operate under SARA, thereby allowing that institution to serve students in Connecticut should the state join the agreement. And, as is explained below, the state will be hampered in its ability to address any wrongs.

Not only does SARA result in the elimination of state control, it also encourages inadequate standards. For example, SARA allows schools to be accepted to the agreement to recruit and enroll students in other SARA states despite the fact that the school may offer programs that may not qualify for licensure requirements in those other states.⁸ If a Connecticut resident is harmed by a school authorized to operate under SARA, however, that resident will no longer have recourse within Connecticut, and must instead turn to the home state of the school.

Finally, despite years of documented abuse, states are not allowed to apply higher levels of scrutiny to for-profit institutions prior to approving them for SARA membership.⁹ The

⁵ See, e.g., Stipulated Judgment, *State of Connecticut vs. Education Management Corporation, et al.*, (Conn. Super. Ct., Nov. 13, 2015), available at http://www.ct.gov/ag/lib/ag/press_releases/2015/20151116_edmc_settlement.pdf; U.S. Senate Committee on Health, Education, Labor, and Pensions, *For Profit Higher Education: Failure to Safeguard the Federal Investment and Ensure Student Success* (July 30, 2012), available at http://www.help.senate.gov/imo/media/for_profit_report/Contents.pdf.

⁶ *Id.* See also, Complaint for Permanent Injunction and Other Relief, *Consumer Financial Protection Bureau v. Corinthian Colleges, Inc.*, Case No. 14-7194 (N.D. Ill., Sept. 2014), available at http://files.consumerfinance.gov/f/201409_cfpb_complaint_corinthian.pdf (alleging that Corinthian induced student enrollment with false representations on employment prospects and financial costs, aggressive sales tactics, and falsified job placement rates and in doing so steered students into high-cost private student loans).

⁷ Peter Smith & Leslie Parrish, Center for Responsible Lending, *Do Students of Color Profit from For-Profit College? Poor Outcomes and High Debt Hamper Attendees' Future* (Oct. 2014), <http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-for-profit-univ-final.pdf>.

⁸ National Council for State Authorization Reciprocity Agreements, SARA and the Licensed Professions, <http://nc-sara.org/content/sara-licsened-professions>.

⁹ Letter from Marshall Hill, Executive Director and Alan Contreras Coordinator, National Council for State Authorization Reciprocity Agreements to Robyn Smith, Of Counsel, and Willard Ogden, Executive Director,

Connecticut Attorney General's Office has been at the forefront protecting Connecticut residents fighting against abuses by predatory for-profit schools.¹⁰ However, should the state enter into SARA that work would be in jeopardy. Under the SARA policies and standards, an out-of-state school under investigation by the Connecticut Attorney General could still be approved as a "SARA school" by that school's home state. As one industry analyst pointed out: "The proliferation of SARA states will eliminate the jurisdictional authority of many state AGs to take action against these firms unless they are headquartered within the AG's state."¹¹

While online education is in need of oversight, it is not in need of SARA. SARA does not do enough to protect students and strips away essential enforcement tools at the state level. In fact, student and consumer advocates were not involved in SARA's conception or the negotiation of the agreement, while two of the nation's largest for-profit schools, Strayer University and beleaguered¹² DeVry University, were.¹³ As noted in documents filed during the Department of Education's negotiated rulemaking on distance education by supporters of SARA, there are alternatives to SARA, including state-by-state reciprocity agreements.¹⁴ Such an agreement could provide the necessary oversight of online education in the state while also ensuring that Connecticut maintains its own ability to prevent abuses by for-profit colleges aimed at Connecticut students.

Once again, thank you for the opportunity to provide these written comments and for your attention to this matter. Should you have additional questions, please contact Lisa Stifler at 919-313-8551.

National Consumer Law Center (June 23, 2014), available at <http://nc-sara.org/content/nc-sara-open-letter-nclc> (last visited Jan. 15, 2016).

¹⁰ See, e.g., Press Release, Office of the Attorney General, AG Jepsen Joins Multistate Effort Supporting Victims of Predatory For-Profit Schools (Aug. 18, 2015), available at <http://www.ct.gov/ag/cwp/view.asp?A=2341&Q=569636>.

¹¹ Duane Bair, "The Real For-Profit Growth Plan," Seeking Alpha (Nov. 4, 2015), <http://seekingalpha.com/article/3640956-real-profit-growth-plan>.

¹² See e.g., Complaint for Permanent Injunction and Other Relief, *Federal Trade Commission v. DeVry Education Group, Inc., et al.* (C.D. Cal. Jan. 27, 2016), available at <https://www.ftc.gov/system/files/documents/cases/160127devrycmpt.pdf> (alleging deceptive representations related to graduation rates, job prospects, and earnings potential); Michael Calia, "DeVry Says New York is Investigating Marketing Practices," *Wall Street Journal* (July 20, 2014); Adrienne Lu, "States Crack Down on For-Profit Colleges, Student Loan Industry," *Stateline* (Apr. 14, 2014), <http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2014/04/14/states-crack-down-on-forprofit-colleges-student-loan-industry> (investigations of DeVry by Illinois and Massachusetts Attorney General Offices).

¹³ Commission on Regulation of Postsecondary Distance Education, *Advancing Access Through Regulatory Reform: Findings, Principles, and Recommendations for the State Authorization Reciprocity Agreement (SARA)* (Apr. 2013), <http://nc-sara.org/files/docs/Commission-on-Regulation-of-Postsecondary-Distance-Education-Draft-Recommendations.pdf>.

¹⁴ Comments and Recommendations to the Dept. of Educ. by Russell Poulin (Mar. 5, 2014), available at <http://www2.ed.gov/policy/highered/reg/hearulemaking/2014/pii2-poulin-stateauth.doc> ("While the Negotiated Rulemaking Committee discussed the State Authorization Reciprocity Agreement (SARA) during our recent meeting, there are other reciprocity agreements...For distance education authorization reciprocity, the Southern Regional Education Board's SECCRA allows regionally-accredited publics and some non-profits to operate in most of the southern states. Kansas and Missouri entered into an agreement to recognize each other's approvals. Any recognition of reciprocity should not be limited to SARA.").