



OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS

Lisa Madigan
ATTORNEY GENERAL

June 4, 2013

Via U.S. Mail

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202-3100

Dear Secretary Duncan:

I am writing to you about the Department of Education's recent decision to initiate a rulemaking related to Federal Student Aid programs. I support the Department's decision to pursue new rules in this area, especially those rules that apply to the "gainful employment" definition for "proprietary institutions of higher education" mandated by Congress in the Higher Education Act.

As you know, many proprietary institutions of higher education achieve their eligibility for Federal Student Aid by providing a program "to prepare students for gainful employment in a recognized occupation."¹ Rules that further clarify "gainful employment" are much needed, as the harm to students and American taxpayers is enormous when students use federal student loans to pursue diplomas at for-profit institutions that do not help them achieve "gainful employment" following graduation. In Illinois, we have repeatedly seen how devastating this harm can be for young people.

Too often, with promises of higher-paying salaries and better job prospects, young people in Illinois, and across the country, have been lured into taking on huge amounts of debt to pursue diplomas at for-profit educational institutions. Yet, over and over again, many of these institutions' promises have proven empty and young people have paid the price, going deeply into debt to pursue diplomas that leave them without better job prospects or higher salaries. The misrepresentations made by some for-profit schools are the worst kind, as they prey upon the very hope and motivation that we work so hard to instill in our young people. For too many students, for-profit schools have taken the American Dream and turned it into a nightmare.

Over the last few years, as part of my office's investigation into abuses in the for-profit school sector, my staff has reviewed more than 1,500 complaints about Illinois schools and has

¹ Higher Education Act, § 102(b)(1)(A); 20 U.S.C. § 1002 (b)(1)(A) (2012).

interviewed many current and former students. These complaints and interviews show that some for-profit schools have misled students about the benefits of their programs.

Through our ongoing investigation, we have gained a better understanding about which federal rules are working and which federal rules need to be refined to better protect students. To that end, we are providing the Department of Education with comments for its rulemaking, which summarize what we have seen in Illinois and provide suggestions for addressing the challenges facing Federal Student Aid programs. Most significantly, I believe the federal government can and must strengthen the rules to ensure for-profit schools meet the obligation to “prepare students for gainful employment in a recognized occupation.”²

As you know, it is critical that programs meet this requirement, as it protects both students and American taxpayers. Students should not take on debt at for-profit schools to pursue programs that do little to prepare them for gainful employment, and tax dollars should not be used to support such programs. Yet, despite the statutory mandate, some for-profit schools have repeatedly skirted the requirement in recent years. Students in these programs learn they are unprepared for gainful employment only after they graduate.

Educational programs supported through Federal Student Aid must be sound investments for both students and taxpayers, and the students pursuing them must be presented with accurate and sufficient information to decide whether a school’s program is worthwhile. The Department’s rulemaking presents a critical opportunity to ensure these two goals are met. To achieve them, we recommend the following additions to the Department’s “gainful employment” rules for applicable programs:

- For-profit schools should be required to meet thresholds for their students’ debt-to-income ratios and repayment rates;
- To mitigate oral and written misrepresentations about job placement rates, for-profit schools should be required to make clear job placement disclosures to students that are based on a uniform definition of “in-field” employment;
- For-profit schools should be restricted from switching accreditors to avoid accountability for poor practices; and
- For-profit schools should be required to provide students with clear, understandable disclosures about their programmatic accreditations and what impact these accreditations, or the lack thereof, have on students’ job prospects.

Our comments provide detail about each of these recommendations, as well as suggestions for other areas the Department should address through its rulemaking.

² Higher Education Act, § 102(b)(1)(A); 20 U.S.C. § 1002 (b)(1)(A) (2012).

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Please let me know if there is anything my office can do to assist the Department of Education in this rulemaking or its other efforts to protect students and taxpayers from bad student debt. This issue is one of the key consumer protection challenges our country currently faces and it will be solved only through strong partnerships at all levels of government.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Madigan". The signature is written in a cursive, flowing style.

Lisa Madigan
Attorney General