Memorandum

To: U.S. Department of Education

From: Johnson M. Tyler, Jessica Ranucci. Legal Aid negotiators

Date: February 25, 2022

Re: Gainful Employment issue paper # 3

We applaud the Secretary's goal to identify and shut down education programs that fail to lead to gainful employment. Our comments follow.

1. We support Inclusion of Parent Plus loans in the calculation of Debt.

A significant number of our clients take out Parent Plus loans to attend for-profit schools. Indeed, parents are four times more likely to take out a Parent Plus loan to attend a for-profit school than a public school.[1] Parent Plus loans are expensive, with high interest rates and origination fees. Moreover, the parent's income is not considered in underwriting. Worse, Parent Plus loans lack meaningful income-driven-repayment options. This means that if a parent loses a job or suffers a significant pay-cut they are stuck with a loan they cannot pay. Indeed, about one in six Parent Plus borrowers whose children attended for-profits are in default and consequently are subject to Social Security offsets, wage garnishment, and tax refund intercepts.[2]

Including Parent Plus Loans as part of the overall debt is sound. Parents often are told by for-profit school recruiters that Parent Plus is the key to their child's success and can easily be repaid by the child following graduation. This was the experience of Shaneka Fletcher and her mom, Jackie Paige, who took-out $60,000 in parent plus loans to obtain a two-year fashion design degree at the now defunct Art Institute, New York City. Despite large Attorney General settlements against the Art Institute for fraud, Ms. Paige still must repay her Parent Plus loan which generates $400 in interest each month. Neither Ms. Paige (who answers consumer questions at a tele-center) nor Ms. Fletcher (who picks-up trash left on planes at JFK) can repay the Parent Plus loan.

2. We Support Including an Appeal Process.

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1 Sixteen (16) percent of those at private for-profit institutions took Parent PLUS loans in 2015–16, compared with four (4) percent at public institutions. Sandy Baum, Kristin Blagg, Rachel Fishman, Urban Institute, *Reshaping Parent PLUS Loans*, p. 7 (2019), available at https://www.urban.org/sites/default/files/publication/100106/reshaping_parent_plus_loans.pdf.

2 Id. at 12.

The Secretary seeks to protect students by quickly cutting-off Title IV aid to programs that fail GE. We applaud the Secretary for putting students first. However, the lack of an appeal process may result in court challenges that could delay GE implementation and hence hurt students. To that end, we suggest a limited appeals process related to information that is within the possession of the school. E.g. the numbers of completers. With respect to earnings, the federal government alone has that information and no appeal process is needed. For schools whose graduates may not report their earnings (e.g. barbers/hair dressers), an appeal process regarding earnings should be not allowed. Accurate income reporting is a foundation of America's economy and safety-net system. Student Aid, Social Security, tax credits, unemployment, and worker's compensation all require accurate income reporting. To carve out an exception for cash-based, and tip-based fields of study would hurt all tax-payers and send the wrong message. Moreover, advents in payment technology in recent years, such as Venmo, make accurate tax reporting much easier.

3. We Support Including an earning threshold in GE not coupled to debt.

We support the inclusion of a threshold earnings metric to the GE standard. Students invest their time and family's financial and non-financial support (such as child-care duties) when pursing their educations. A return on that investment is critical. Our clients go to proprietary schools to increase their earnings and hence the high school graduate earning threshold relates to their financial goals.[3] Such an earnings metric would have protected Ms. Fletcher and her mom from the Art Institute, where the majority of its students earned less than a high school graduate six years after completing their degrees.[4]

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3 The threshold earnings metric is more fully described in the Data Documentation for College Scorecard, published by the Department of Education in 2015. The threshold measure "describes the fraction of former students earning over $25,000 in 2014 constant dollars (gt_25k_p*). It is available for each year from six to 10 years after entering the school. The threshold of $25,000 was chosen because it corresponds approximately to the median wage of workers ages 25 to 34 with only a high-school degree."

4 Earnings data published by the Department of Education in 2015 shows 53% of Art Institute, New York City graduates earned less than a high school diploma ($25,000) six (6) years after graduating. Data on file with author.