



## **Neighborhood Economic Development Advocacy Project**

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### **TESTIMONY OF HERMAN DE JESUS**

#### **SENIOR PROGRAM ASSOCIATE, NEDAP**

#### **BEFORE THE NYC COUNCIL COMMITTEE ON HIGHER EDUCATION**

#### **Oversight Hearing - "Examining the Value of For-Profit Colleges"**

February 15, 2013

Thank you, Chairman Rodriguez and other members of the Higher Education Committee, for holding today's hearing and for giving me the opportunity to testify. My name is Herman De Jesus, and I am a Senior Program Associate at NEDAP, a non-profit resource and advocacy center that works with community groups to promote economic justice, and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.

Since its founding in 1995, NEDAP has been at the forefront of fighting discriminatory mortgage lending, abusive foreclosure practices, and predatory debt collection practices that harm low income neighborhoods and communities of color. We work with community groups and low income New Yorkers to bring about lasting change, through policy advocacy, community education and outreach, coalition-building, research and mapping, and legal strategies.

Through its legal hotline, NEDAP works with hundreds of low income New Yorkers who are struggling with student loan debt they incurred from attending sham for-profit trade and degree-granting schools. These schools offer certificates or degrees, for example, in cosmetology, bartending, nursing, auto repair, refrigeration, home health care, business, fashion, computer programming. NEDAP also convenes a city-wide task force of organizations engaged in policy advocacy around student loan debt issues. The task force includes community-based and legal services organizations, as well as prisoner re-entry, GED prep and job training programs.

Through NEDAP's work with hotline callers and partner organizations, we have identified a troubling pattern of discriminatory practices by sham and for-profit schools. Practices include deceptive advertising, and deliberate targeting of low-income New Yorkers and communities and people of color, to induce people to enroll in essentially worthless certificate/degree programs. Most hotline callers who attended for-profit schools relied on federal financial aid to pay for tuition – underscoring the predatory business model of many for-profit schools to use low income students to draw down local, state, and federal aid dollars.

Many for-profit schools are owned by large, publicly-traded corporations. These for-profit schools, as outlined in a recent U.S. Senate Health, Education, Labor and Pensions (HELP) Committee report,<sup>1</sup>

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<sup>1</sup> [http://www.help.senate.gov/imo/media/for\\_profit\\_report/ExecutiveSummary.pdf](http://www.help.senate.gov/imo/media/for_profit_report/ExecutiveSummary.pdf)

spend huge amounts on advertising and recruiting, and fail to make needed investments in education and support services for students once enrolled.

Many students who attend for-profit schools later discover that their degree or certificate does not, in fact, qualify them for employment in the particular field. A substandard education leaves the student with often insurmountable student loan debt, lack of credentials, and dim prospects for employment. Many low-income people see higher education as their ticket out of poverty; but for those who unknowingly enroll in sham for-profit schools, these schools only exacerbate the cycle of poverty.

Take the case of Denise, a low income New Yorker who contacted NEDAP's hotline:

Denise was an unemployed, disabled, single mother who saw an advertisement on the train for a cosmetology school. The school offered certification "in as little as six months and immediate job placement." The ad also announced in large print that financial aid was available. Struggling to make ends meet for her family, Denise believed that becoming a certified cosmetologist would offer her new job opportunities and a stable income. The advertisement claimed that graduates earned between \$50,000 and \$100,000 a year.

As it turned out, the availability of financial aid was the only true statement in the advertisement. Like most for-profit schools, the school Denise attended existed not to train and certify people for legitimate jobs, but to gain access to federal and state grants and loans. By helping Denise secure federal student loans, the school ensured that it would be paid Denise's tuition in full regardless of whether she was able to repay the loans.

According to Denise, the instructor rarely showed up for classes, and Denise gained no meaningful skills through the program. She was never able to find a job in cosmetology, and soon fell behind on her federal student loans. Over the course of a decade, as the debt ballooned from \$6,625 to \$26,000, the federal government used its authority to intercept Denise's income tax refunds and garnish her Social Security Disability benefits. But still the debt would not go away. To this day, she remains indebted for tuition paid to a sham for-profit school that failed to provide her with even a marginal educational benefit.

Denise's story is quite common. Many recently unemployed New Yorkers are turning to for-profit schools for certificates and degrees they hope will make them more marketable to potential employers. Unbeknownst to them, the advertisements plastered on subway cars and filling radio and TV airwaves are false or misleading. Many of the certificates or degrees they receive will not be recognized as "real" degrees by prospective employers. They will end up worse off than if they had not attended the school in the first place – with huge student loans to repay and few job prospects.

People who default on their federal student loans face especially detrimental consequences, including being subject to the government's strong collection powers, which they can enforce without having to sue people in court (unlike other debt collectors). The government's powers include administrative authority to intercept people's income tax refunds, garnish their wages, and offset their Social Security and certain other federal benefits that are typically exempt from debt collection. Student loans are also extremely difficult to discharge through bankruptcy; and there is no statute of limitations on the collection of federal student loans, so these debts can literally hamper people for their lifetime.

People with defaulted federal student loans cannot receive additional federal student aid, which blocks them from attending legitimate schools. It also prevents people from being able to borrow other kinds of federally insured loans, for example, a Federal Housing Administration insured home mortgage.

Finally, defaulted federal student loans have dire credit implications. Defaulted loans can devastate people's credit reports, and block them from desperately needed jobs, housing, insurance, and affordable loans. About half of all employers currently check credit histories of job applicants, for example. NEDAP is part of the NYC Coalition to Stop Credit Checks in Employment, and we applaud the City Council's Intro. 857 to end this unfair barrier to jobs for New Yorkers – including those whose credit has been ravaged by sham schools.

As the number of for-profit schools grows, the need for meaningful enforcement and higher education regulations is greater than ever. In New York State alone, there are nearly 500 non-degree granting schools<sup>2</sup> and roughly 200 degree granting schools.<sup>3</sup> A large number of those schools are for-profit colleges, where the cost of certificate and associate degrees are more than 4 times the amount of public colleges.<sup>4</sup> To date, student loan debt is at a trillion dollars and growing, exceeding auto loan debt and credit card debt.<sup>5</sup> Although the number of for-profit schools and student loan debt continues to grow, little is being done to address the harmful practices committed by many of those schools.

NEDAP makes the following recommendations:

- **The NYC Human Resources Administration (HRA) should remove abusive for-profit schools from its Approved Training Programs list.** HRA provides a list of approved training and educational programs to families that receive Temporary Assistance to Needy Families, Safety Net Cash Assistance, and/or Safety Net Non-Cash.<sup>6</sup> The training and educational programs on HRA's list count towards HRA's mandatory work requirements. HRA includes on the list several schools with a history of abusive practices and violations of the law. The City Council should push HRA to remove such schools from their approved list, and to cease giving its stamp of approval to these for-profit schools.
- **Increase funding to public community colleges and expand access to CUNY and other legitimate schools.**
- **The City Council should call on the NYS Education Department to crack down on abusive for-profit schools.**
- **The City Council should pass Intro 857, the Stop Credit Discrimination in Employment Act,** which would ban the use of credit checks in hiring and other employment related purposes.
- **The City Council should prohibit City subsidies to or contracts with for-profit schools that violate federal regulations.** Such an ordinance has been proposed by the City of Milwaukee.<sup>7</sup>

Thank you again for the opportunity to testify today.

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<sup>2</sup> <http://www.acces.nysed.gov/bpss/students/documents/DivConsumerProtectionandBPSSNewsletter8-11.pdf>

<sup>3</sup> <http://www.highered.nysed.gov/ocue/he/structureofhe.html>

<sup>4</sup> [http://www.help.senate.gov/imo/media/for\\_profit\\_report/ExecutiveSummary.pdf](http://www.help.senate.gov/imo/media/for_profit_report/ExecutiveSummary.pdf)

<sup>5</sup> <http://www.businessweek.com/articles/2012-09-06/student-loans-debt-for-life>

<sup>6</sup> <http://www.nyc.gov/html/hra/html/directory/training.shtml>

<sup>7</sup> <http://milwaukee.legistar.com/LegislationDetail.aspx?ID=1203176&GUID=0443B3EE-88FE-4B16-8567-5D557A07243B>