Students Suffering from Incorrect Default Statuses and Inaccurate College Performance Reporting for College Scorecard, Gainful Employment, and Cohort Default Rates Are Just the Tip of the Iceberg of ED's Problems

FROM THE DESK OF MARY LYN HAMMER

For those who wish to go deeper into the details of the U.S. Department of Education data, subsequent pages include Ms. Hammer's additional findings beyond the errors admitted to by the department. What's disturbing is that there is most likely even more that lies beneath the tip of the iceberg than Ms. Hammer has uncovered.

For more information on this report or to schedule an interview with Ms. Hammer contact John White

Info@MaryLynHammer.com

480.433.2392

Students Suffering from Incorrect Default Statuses and Inaccurate College Performance Reporting for College Scorecard, Gainful Employment, and Cohort Defaults Are Just the Tip of the Iceberg of ED's Problems

TABLE OF CONTENTS

Reversing Incorrect Student Loan Default Statuses 3

College Scorecard Fails to Accurately Report Info for All Schools 4

College Navigator Comprehensive Data Failures 5

A Review of College Navigator Data Shows Interesting Facts 7

FY 2011 Gainful Employment Informational Rates (June 2012) 8

Missing Data in Gainful Employment Reports 8

ED's Gainful Employment Data Does Not Match Its Reporting 8

Inaccurate Gainful Employment Calculations 9

Failing Programs 9

ED's "PAYE" and "REPAYE" Set Up GE Programs to Fail Repayment Rates 11

Cohort Default Rate Data Does Not Match ED's Publicly-Released Cohort Default Rates 12

Over the Last Five Years the For-Profit Sector Is the ONLY Sector with the Percentage of Total Defaulters Declining 13

What ED Doesn't Want You to Know About For-Profit CDRs 14

CDRs Based on Average CDR Methodology Shows For-Profit Sector Performs Well 14

Very Few For-Profit Schools Lose Title IV Eligibility Based on CDRs 14

It's Time to Admit That Not All For-Profit Colleges Are Bad! 15

Conclusion 15

REVERSING INCORRECT STUDENT LOAN DEFAULT STATUSES

In 2010-2011 when the Federal Family Education Loan Program (FFELP) was eliminated, borrowers approved for special repayment arrangements were incorrectly placed into default status during a massive number of loan transfers to U. S. Department of Education (ED).

Legislation is needed to make appropriate corrections including:

1. Reverse incorrect default status and put the loans back in good standing
2. Rectify adverse financial consequences wherever possible
3. Correct the borrower's credit record by removing adverse reporting to the major credit bureaus
4. Correct relevant cohort default rates (CDR) at the institutional level (iCDR) and programmatic level (pCDR)

Correcting these abhorrent situations will serve the federal fiscal interest by reducing the cost of servicing and ceasing to pay unnecessary collection service fees. Corrections will also empower the over 400,000 Americans incorrectly in default who should enjoy the benefits of good credit.

The following points summarize the events that occurred when an estimate of over 400,000 student borrowers were incorrectly placed in default status:

A. Large loan portfolios were transferred to the ED as a result of ED purchasing the loans or taking over servicing from FFELP participants who either became financially unstable or closed. The unexpected high volume of loans and poor planning was exacerbated with coding errors and mismanagement.

B. During the transfer periods (some lasting as long as 9–10 months) borrowers applied for and were approved for deferments, forbearances, and other special payment arrangements with their current servicer. These status changes and loan histories were to be transferred to the new servicer once the loan transfer process was completed.

C. When the transfers were completed, the loan statuses were either not coded properly or were not provided to show the "current" status of loans which had received approval for deferments, forbearances, and special payment arrangements. The information uploaded on the new servicing systems showed the previous past due date on the loans that had been brought current during the transfer, and therefore default claims were processed on loans that were actually in good standing.

Errors That Occurred as Loans Portfolios Transfered to ED after FFELP Eliminated

❶ **FFELP EXIT**
From 2010 through 2011 many FFELP participants exit programs sooner than ED anticipated.

❷ **TRANSFER TIME**
Loan portfolios transfers to ED begin but take up to 10 months to complete.

❸ **PAYMENT ARRANGEMENTS**
During the loan portfolio transfer process borrowers applied and were approved on deferments, forbearances and other special payment arrangements.

❹ **STATUS ERRORS**
When ALL loan portfolios transfers to ED were completed, the correct current loan statuses were not transferred for many borrowers with approved arrangements, therefore default claims were processed on loans that were actually in good standing.

❺ **ED NOTIFIED**
Within a month of the first big transfer, ED was notified by Mary Lyn Hammer of errors from the loan transfer process.

❻ **NO CORRECTIONS**
To date ED has not corrected these errors in default statuses for students.

❼ **UNEQUAL ADJUSTMENTS**
Beginning in 2014, ED "adjusted" CDRs for some, but not all, institutions in jeopardy of losing Title IV funding.

D. Some student loan borrowers current on their loans were placed in default status. No process was in place to reverse these incorrect statuses.

E. After these situations were discovered, ED was notified within a month of the first big loan transfer and encouraged to make corrections but ED chose to not make corrections. These situations did not surface again with ED until the cohort default rates (CDRs) were "adjusted" beginning in 2014 for certain, but not all, institutions in jeopardy of losing Title IV funding. While ED adjusted CDRs for the institutions, it did not take any action to make corrections for the borrowers who suffered severe consequences of default.

This bungled mess wastes federal resources when we overpay fees:

Multiple servicing fees have been paid for borrowers who have multiple loan statuses. For example, one fee for a current loan and another higher fee for a defaulted loan; or premium collection fees, legal actions and other related default costs have been and will be paid when standard servicing fees should apply.

Additional Unnecessary Costs from FFELP Loan Transfer Errors

- $ **PAYING** unnecessary servicing fees for borrowers with multiple loan statuses
- $ **PAYING** premium collection fees
- $ **COSTLY** legal actions
- $ **HIGHER FEES** for related default costs when standard servicing fees apply
- $ **STUDENTS CREDIT SCORES** adversely impacted
- $ **INACCURATE SCHOOL DEFAULT RATES**

Recommendation to Correct Default Statuses

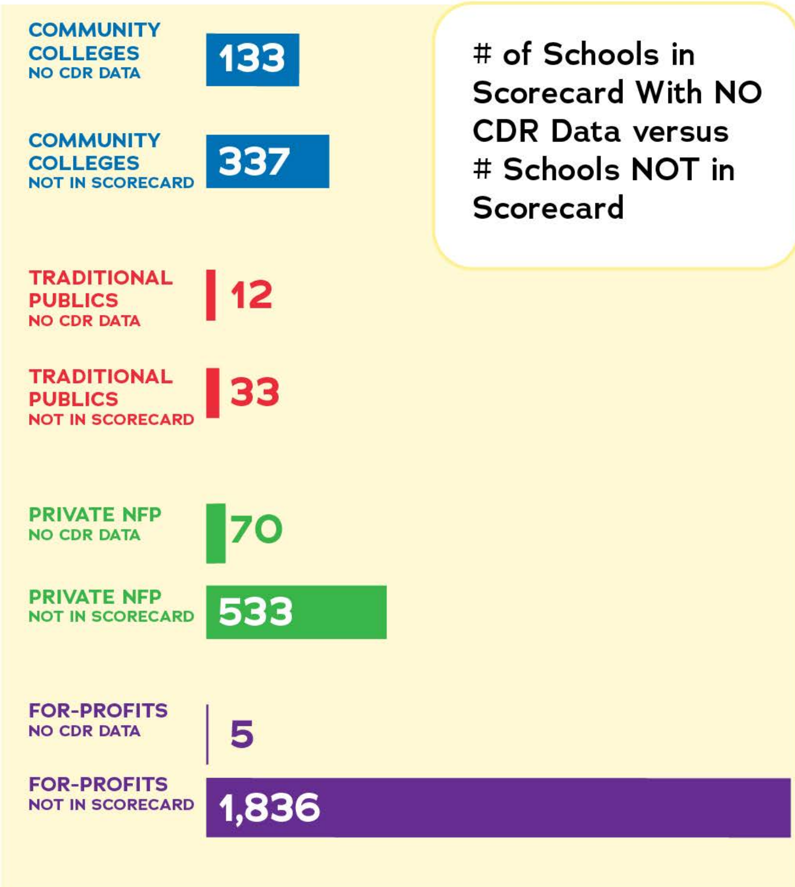
First, legislation must be written to reverse defaults and clean up credit for the victims of the loan transfer errors. Additionally, school CDRs must be corrected. Second, we must define a process for reversing FDSLP defaults that are processed in error because no procedures exist. In comparison, when this occurs in the FFEL Program, the guarantor sells the loan back to the loan holder and the default status is reversed putting the student loan(s) back into the appropriate status and removing the inaccurate information from the borrower's credit record.

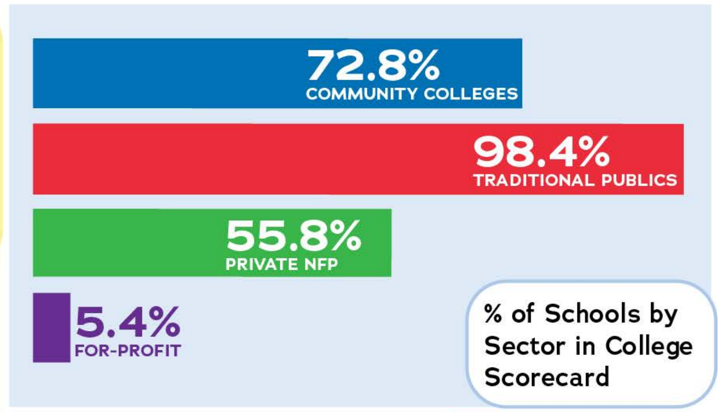
COLLEGE SCORECARD FAILS TO ACCURATELY REPORT INFO FOR ALL SCHOOLS

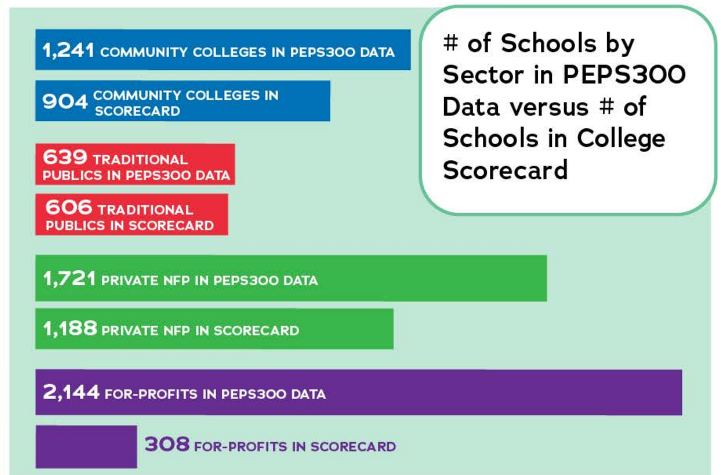
The original College Scorecard, hosted on Whitehouse.gov, was promoted as the place for students and parents to find critical comparative information on colleges. There were numerous problems with the original Scorecard:

1. The Scorecard did not contain information on all colleges and was a disproportionate representation of schools from each sector.
2. There were <u>no</u> schools in the Scorecard that pulled up under the keyword searches of law, legal, cosmetology, salon, beauty, barber, hair, or massage.[1]
3. The information in the Scorecard was often incomplete. Numerous schools listed "no data" when that data existed on ED's College Navigator site. For example, numerous schools did not have "median borrowing data" even though the school had a default rate and a significant number of borrowers. Certain schools that didn't have FY 2010 CDRs had "0%" instead of "No Data" in the Scorecard. This falsely implies "high quality" and gave the impression that no students from this college defaulted.

1. Note that many of these same schools are those with missing data in the GE Informational Rates.







After Mary Lyn Hammer began to speak up about these errors in January 2015 (with ED employees present), the data from the College Scorecard website was removed.[2] In September 2015, ED released a "new and improved" College Scorecard and when it was unveiled, Ms. Hammer began to download the Scorecard data to analyze accuracy but she immediately received **Error: Forbidden message** and could not gain access to the data.

COLLEGE NAVIGATOR COMPREHENSIVE DATA FAILURES

At the end of 2014, when Ms. Hammer was completing her research and analysis of publicly available college information, she had to manually collect financial information. While ED's College Navigator appears to have the most comprehensive data and contains many pertinent data points, some of the information is not clearly defined and assumptions are made in the Navigator data that may not be accurate. For example, a college's average student loan debt is provided in Navigator—but that data does not come anywhere close to ED's reported 2014 national average student loan debt of $28,400.

2. Ms. Hammer has attempted to determine the exact date that Scorecard data was removed using several companies that archive snapshots of websites. The Wayback Machine website last archived the College Scorecard site on February 13, 2015, only 2 weeks after Ms. Hammer first raised the issue of errors. At this time, Ms. Hammer can only verify that erroneous College Scorecard data was available on February 13, 2015 but was deleted by March 18, 2015.

Because Navigator's student loan debt amounts are significantly lower than the national average, perhaps Navigator uses academic year amounts, not cumulative debt amounts. Cumulative debt amounts would be more helpful in student and lawmaker decision making. Further, most of Navigator's data is not readily downloadable. A comprehensive report of all schools (or even by sector) cannot be generated. Reports must be pulled in batches and do not contain any financial information pertinent to decision making. When Ms. Hammer analyzed the data, she had to pull batches of information for all sectors and then add financial information manually. **There are other pertinent facts from the College Navigator data in the following more detailed analysis:**

COLLEGE NAVIGATOR DATA	PUBLIC COLLEGES	PRIVATE NFP COLLEGES	FOR-PROFIT COLLEGES	COMMUNITY COLLEGES
Schools with FY 2011 3-year CDRs	1,581	1,557	1,714	952
Total Pell Grant & Student Loan $'s	$ 31,246,224,661	$ 15,587,083,210	$ 16,373,342,172	$ 19,629,067,128
Average Federal Funds per School	$ 19,763,583	$ 10,010,972	$ 9,552,708	$ 20,618,768
Total Pell Grant $'s	$ 9,677,695,371	$ 3,677,539,878	$ 5,250,647,955	$ 1,043,823,539
Ave % of Students with Pell Grants	**38.9%**	**41.1%**	**62.6%**	**42.7%**
Total Students with Pell Grants	2,392,605	930,037	1,350,712	2,975,387
Average Pell Grant $'s per Student	$ 4,045	$ 3,954	$ 3,887	$ 3,712
Average Graduation Rate	**45.7%**	**55.6%**	**60.4%**	**26.6%**
Pell Grant Cost Ave Pell Grant divided by Graduation Rate	**$ 88.51**	**$ 71.12**	**$ 64.36**	**$ 139.54**
Total Federal Student Loan $'s	$ 21,566,132,551	$ 11,908,609,269	$ 11,121,339,552	$ 8,582,264,350
Ave % of Students with Federal Student Loans	**51.3%**	**97.5%**	**65.8%**	**30.1%**
Total Students with Federal Student Loans	3,111,949	1,581,829	1,350,712	1,588,608
Average Federal Student Loan Debt per Student	$ 6,930.11	$ 10,506.12	$ 7,088.02	$ 5,182.23
Average Graduation Rate	**45.7%**	**55.6%**	**60.4%**	**26.6%**
Student Loan Cost Ave Student Loan Debt divided by Grad Rate	**$ 151.64**	**$ 188.96**	**$ 117.35**	**$ 194.82**
FY 2011 3-year CDR (PEPS300 Data)	13.0%	7.2%	18.9%	20.4%
ESTIMATED DOLLARS IN DEFAULT	**$ 2,803,597,232**	**$ 1,196,560,252**	**$ 1,809,461,790**	**$ 1,679,435,460**

A REVIEW OF COLLEGE NAVIGATOR DATA SHOWS INTERESTING FACTS

For-profit schools serve the largest population of Pell Grant (at-risk students) recipients at 62.6%. When coupled with the proprietary sector FY 2011 3-year average CDR rate of 18.9%, one can see that for-profit colleges did a fantastic job of helping at-risk students make timely payments or exercise their rights of deferment and forbearance during the worst economic period since the Great Depression.

Community colleges serve a lower percentage of at-risk students with 42.7% in Pell Grant recipients. Yet community colleges have a higher FY 2011 3-year average CDR rates of 20.4%. This indicates that community colleges do a poorer job helping their students avoid default when compared to the for-profit sector. This doesn't mean that community colleges are bad—it just shows that they lack the budget, staff, or focus needed to help students avoid defaults.

FOR-PROFIT SCHOOLS SERVE
62.6%
of Pell Grant Recipients

CDR AVERAGE
18.9%

COMMUNITY COLLEGES SERVE
42.7%
of Pell Grant Recipients

CDR AVERAGE
20.4%

The data shows that the for-profit sector outperforms all other sectors in terms graduation rate and lowest student loan cost to student borrowers and its loan amounts are reasonable especially considering that higher loan amounts would be consistent with higher graduation rates.

Not every student wants or is prepared to go to a public college. Low-income, at-risk students generally need more attention and more guidance from a higher education provider. This type of attention and guidance is regularly provided at for-profit institutions.

	FOR-PROFIT COLLEGES	PUBLIC COLLEGES	COMMUNITY COLLEGES
GRADUATION RATES	60.4%	45.7%	26.6%

LOAN COST PER GRAD	FOR-PROFIT COLLEGE STUDENTS	COMMUNITY COLLEGE STUDENTS
	$117	$195

PELL COST PER GRAD	FOR-PROFIT COLLEGES	COMMUNITY COLLEGES
	$65	$140

Currently only four data points are available in College Navigator reports and it is very cumbersome to obtain all of this limited information. ***Decisions by lawmakers, regulators, parents, and students must be based upon true data. An institution's tax-filing status should not be a factor in measuring the quality of education. Let the data speak for the quality. The data is collected, Americans just need access to it.***

FY 2011 COLLEGE NAVIGATOR SUMMARY

SECTOR	AVERAGE GRAD %	AVERAGE STUDENT LOAN	COST PER GRAD %
PUBLIC COMMUNITY COLLEGES	26.6%	$5,182	$195
PUBLIC TRADITIONAL COLLEGES	47.7%	$6,857	$150
PRIVATE NFP COLLEGES	55.6%	$10,506	$189
FOR-PROFIT COLLEGES	60.4%	$7,088	$117

ED'S GAINFUL EMPLOYMENT DATA DOES NOT MATCH ITS REPORTING

Beginning with FY 2011 Gainful Employment Rates ("GE"), ED's reporting has been incomplete and inaccurate based upon ED's true data. **ED used this misreporting and corrupted data to set more severe, unrealistic rules for certain programs in GE 2.0.** The three primary GE data sets are:

1) FY 2011 "Streamlined" Informational Data containing data for 3,695 programs—rate data only.
   (DOE File: StreamlinedGE2011InformationalRates062512School)

2) FY 2011 "Final" Informational Data containing data for 13,772 programs—with large amounts of data missing from these programs.
   (DOE File Name: GE2011InformationalRates062512FINAL)

3) FY 2012 Informational Data containing data for 7,934 programs—with median debt data missing so rates cannot be verified.
   (DOE File Name: 2012-informational-rates033114-508)

GAINFUL EMPLOYMENT RATE DEFINITIONS

	GE 1.0	GE 2.0
REPAYMENT RATES		
PASSING	Over 35%	No longer an eligibility measure and included in disclosures
FAILING	Under 35%	
ANNUAL DEBT-TO-EARNINGS RATES		
PASSING	12% or Less	8% or Less
ZONE	**N/A**	**OVER 8% AND UNDER 12%**
FAILING	Over 12%	Over 12%
DISCRETIONARY DEBT-TO-EARNINGS RATES		
PASSING	30% or Less	20% or Less
ZONE	**N/A**	**OVER 20% AND UNDER 30%**
FAILING	Over 30%	Over 30%

The Gainful Employment Rate Definitions chart (right) thresholds for the original gainful employment measures ("GE 1.0") and the second gainful employment measures ("GE 2.0").

FY 2011 GAINFUL EMPLOYMENT INFORMATIONAL RATES (JUNE 2012)

ED's "Final" GE data contained enough details to allow the data to be audited. An audit of the data shows that the true GE rates were inconsistent with Informational Rates ED released to the public, media, and the investment community. The discrepancies favored public and private NFP colleges and were damaging to for-profit college.

MISSING DATA IN GAINFUL EMPLOYMENT REPORTS

In the data ED released to the public and the media, a disproportionate number of schools from each sector were reported in the "FY 2011 Streamlined Informational Data" compared to the comprehensive "FY 2011 Final Informational Data". Without comprehensive and complete data, the public wouldn't know whether programs passed or failed the GE criteria. The "missing data" whether removed intentionally or in error by ED resulted in data for only 5.1% of public college programs, 18.2% of private NFP programs, but 43.4% of for-profit college programs.

INACCURATE GAINFUL EMPLOYMENT CALCULATIONS

In the comprehensive "Final" FY 2011 GE Informational Rate data, the most accurately reported ratios were the payment calculations comparing all sector programs:

UNDERGRADUATE PROGRAM PAYMENTS were consistent with the average debt amount and the defined length of repayment period.

POST BACCALEAUREATE PROGRAM PAYMENTS were similar to the payments calculated for the average debt amount and defined length of repayment period. However, the payments for the for-profit programs had the biggest discrepancy.

The payment calculations by credential levels—where for-profit schools had the only applicable programs—were inaccurately calculated too high and payments were not calculated in compliance with the original regulatory definition for 10-, 15-, and 20-year repayment schedules.

The payment schedules that should have been used are:

10-year Standard Repayment	15-year Standard Repayment	20-year Standard Repayment
Undergraduate Certificate	Bachelor's Degree	Doctorate Degree
Associate's Degree	Master's Degree	First Professional Degree
Post Baccalaureate Degree		

A Review of the Data for the Programs Not Reported

1. Many programs had all of the data available but were not reported
2. Many programs had Title IV loan amounts but did not have repayment rate information (even though they go hand-in-hand)
3. Many programs had repayment rate information but Title IV loan information was blank, zero (0), or N/A
4. Many programs had loan and income information but debt-to-earnings rates were not calculated
5. Many programs had debt-to-earnings rate information and calculations but the loan information and repayment information was blank, zero (0), or N/A

FAILING PROGRAMS

For programs identified in the FY 2011 Streamlined Data as "Failed 3 Rates" (193 for-profit programs), payments were not calculated in compliance with the regulatory definition for 10-, 15-, and 20-year repayment schedules. These rates were therefore grossly inaccurate:

When the correct repayment calculation is applied to the 193 proprietary programs that ED reported as "failing"—only 6 programs actually failed all three rates and 56 rates fell within the GE 2.0 "zone" definition.

Summary of Corrections to Annual Payments In Streamlined Failing Programs

Corrected DOE File: FY2011StreamlinedFailed3Rates

FOR-PROFIT CREDENTIAL LEVEL	Total Programs Reported as Failing All 3 Rates	Average INCORRECT Annual Payment Used by DOE	Average CORRECT Annual Payment	% Difference in ED Annual Payment Needed to CORRECT Annual Payment
UNDERGRADUATE CERTIFICATE	31	$1,692.42	$1,281.38	32%
ASSOCIATE'S DEGREE	125	$2,874.46	$1,194.88	178%
BACHELOR'S DEGREE	36	$4,124.56	$1,078.33	311%
FIRST PROFESSIONAL DEGREE	1	$8,747.00	$2,167.32	304%
AVERAGE OF REPORTED PROGRAMS	193	$2,948.20	$1,190.86	184%

Calculations Using Correct Annual Payments for Streamlined Failing Programs

Corrected DOE File: FY2011StreamlinedFailed3Rates

FOR-PROFIT CREDENTIAL LEVEL	TOTAL PROGRAMS REPORTED AS FAILING ALL 3 RATES	# PASSING BOTH ANNUAL & DISCRETIONARY RATES	# PASSING ANNUAL RATE	# PROGRAMS WITH DATA REPLACED WITH (N/A)*	# PASSING WITH RATES IN GE 2.0 ZONE DEFINITION (PASS/ZONE)	# PROGRAMS FAILING ALL 3 METRICS AFTER CORRECTIONS
UNDERGRADUATE CERTIFICATE	31	0	22	4	17	5
ASSOCIATE'S DEGREE	125	28	72	24	33	1
BACHELOR'S DEGREE	36	26	8	2	5	0
FIRST PROFESSIONAL DEGREE	1	0	1	0	1	0
TOTALS	193	54	103	30	56	6

*Note: Those programs where data was replaced with "N/A" could not be verified for accuracy and are not included in the analysis as passing or failing.

Thirty (30) failing programs had missing data (N/A) and certain data points and rates could not be verified for accuracy. Several undergraduate certificate programs had data and rates in the final data that did not match the rates in the streamlined data. The miscalculations for payments had a significant effect on the Debt-to-Earnings Ratios for the 193 programs ED reported as failing all 3 metrics:

Summary of Corrections to Debt-To-Earnings Rates for Streamlined Failing Programs

Corrected DOE File: FY2011StreamlinedFailed3Rates

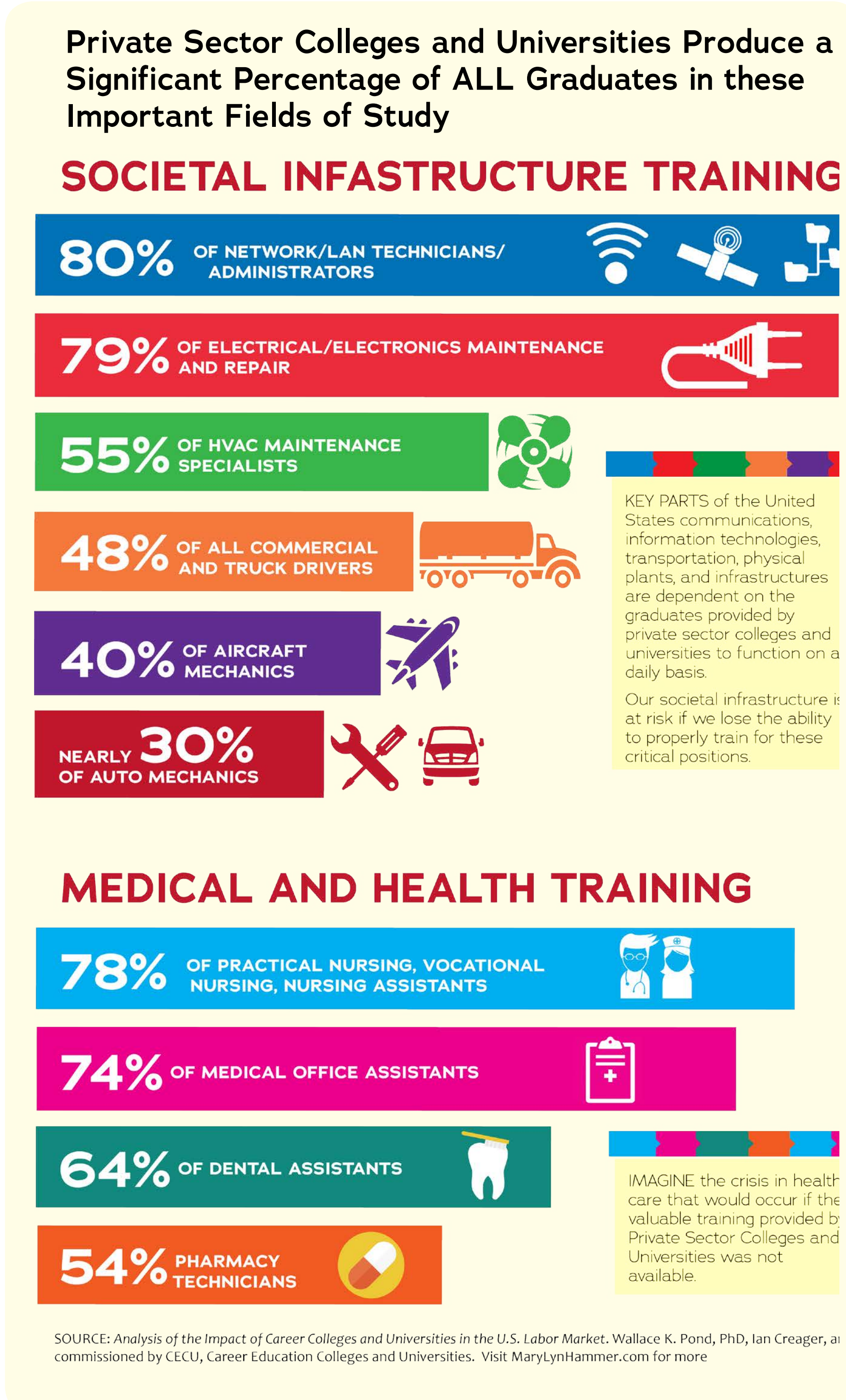
FOR-PROFIT CREDENTIAL LEVEL	TOTAL PROGRAMS REPORTED AS FAILING ALL 3 RATES	REPAYMENT RATES UNCHANGED	REPORTED DEBT-TO-EARNINGS RATIOS REPORTED (INCORRECT PAYMENTS)		CORRECT DEBT-TO-EARNINGS RATIOS (CORRECT PAYMENTS)	
			ANNUAL DTE RATIO	DISCRETIONARY DTE RATIO	ANNUAL DTE RATIO	DISCRETIONARY DTE RATIO
UNDERGRADUATE CERTIFICATE *NOTE: THE STREAMLINED RATIOS DID NOT MATCH THE FINAL DATA AND RATIOS FOR 3 PROGRAMS	31	19.87	*14.85	*124.60	10.59%	96.39%
		FAIL	FAIL	FAIL	PASS/ ZONE	FAIL
ASSOCIATE'S DEGREE	125	21.33	14.89	128.54	6.46%	69.95%
		FAIL	FAIL	FAIL	PASS	FAIL
BACHELOR'S DEGREE	36	25.08	17.69	81.06	4.57%	22.51%
		FAIL	FAIL	FAIL	PASS	PASS/ ZONE
FIRST PROFESSIONAL DEGREE	1	30.66	55.74	100	13.81%	100.00%
		FAIL	FAIL	FAIL	FAIL	FAIL
AVERAGE OF REPORTED PROGRAMS	193	21.84	15.57	114.87	6.80%	64.79%
		FAIL	FAIL	FAIL	PASS	FAIL

ED never publicly acknowledged or corrected its press releases and statements that included egregious errors in GE sector-level performance like it did with College Scorecard. We have been grossly misled especially regarding the performance of for-profit programs.

Mary Lyn Hammer personally testified at the Department's field hearing (prior to the GE 2.0 negotiated rulemaking) about the inaccuracy of the payments and rate calculations. And then interestingly, when the ED subsequently came to the table for the first round of GE 2.0 negotiated rule-making, they came with the new "zone" definition. There is strong evidence that ED's definition for the "zone" and other GE criteria were established because the Department did not have the desired result.

ED'S "PAYE" AND "REPAYE" SET UP GE PROGRAMS TO FAIL REPAYMENT RATES

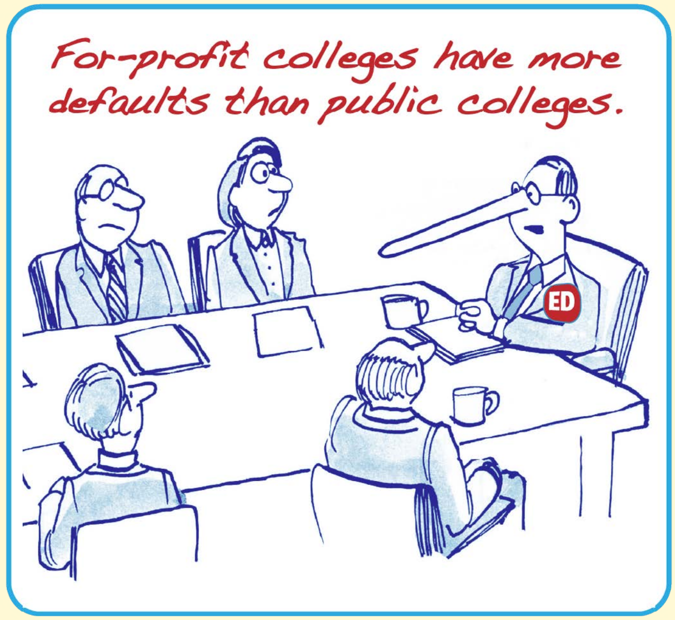
ED's much-publicized and promoted Pay-As-You-Earn ("PAYE" and "REPAY") programs, in addition to other income-based repayment plans, put students into negative amortization during their first few years of repayment. Therefore, these ED repayment programs cause programs to fail the GE repayment rate thresholds. It is curious that these new repayment programs were rolled out at the same time the GE rules were being developed. These new repayment programs only require loan payments of 10% of discretionary earnings defined as the difference between your earnings and 150% of the poverty-level guidelines for your family. This requirement makes loan payments minimal and sets up a college's GE programs to systematically fail the repayment rate criteria. While the repayment rate is no longer a program eligibility requirement (it is now a reporting requirement), the structure continues to harm the reputations primarily of for-profit college.



The PAYE program was implemented early through an Obama executive order. This executive order was issued simultaneously with the first GE rules. The vast majority of GE programs are at for-profit college—these colleges have received poor GE repayment rates due to the new repayment plans. Under standard repayment structures, most GE programs would have passing repayment rates.

COHORT DEFAULT RATE DATA DOES NOT MATCH ED'S PUBLICLY-RELEASED COHORT DEFAULT RATES

An analysis of 3-year cohort default rates ("CDR") for years 2009 to 2013 shows that the numbers and rates released by U.S. Department of Education ("ED") through its official briefings did not match the actual CDR numbers and rates in ED's data.



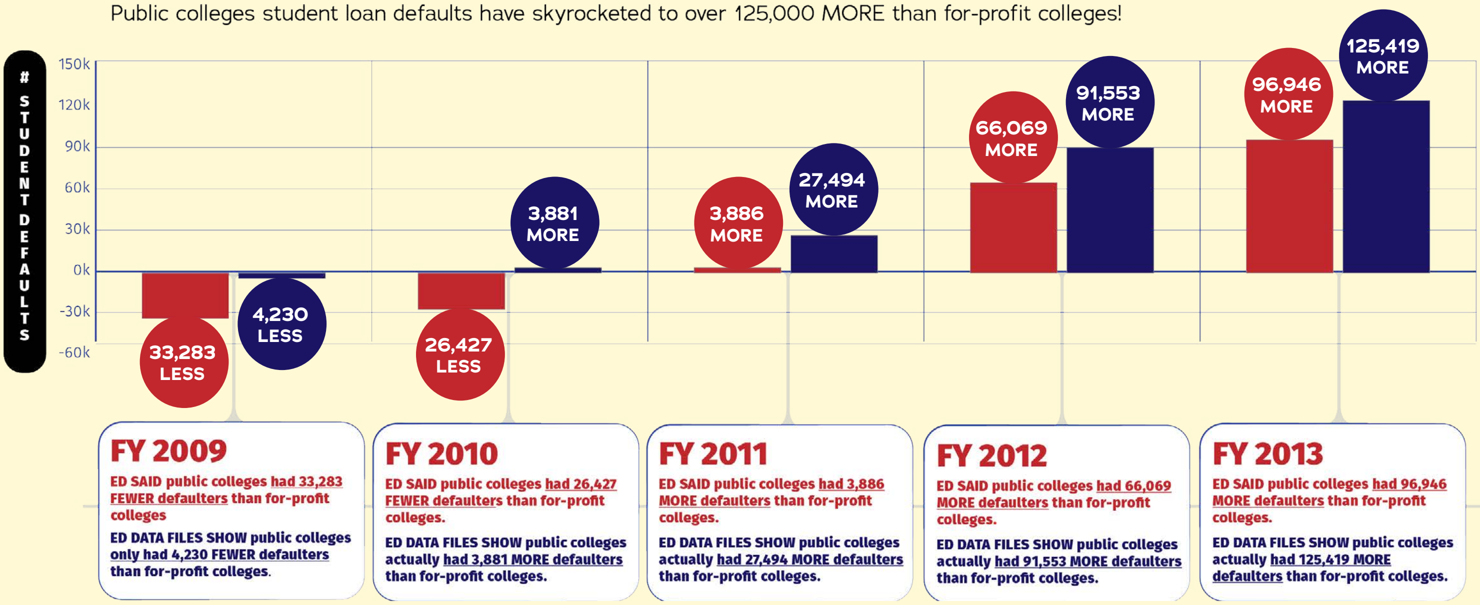
The CDR rates and numbers released (and touted) by ED were inflated for for-profit colleges, lowered for public colleges, and for 2012 and 2013, lowered for private nonprofit colleges ("NFP").

ED's manipulation of the FY 2012 and FY 2013 CDR rates has been the most egregious act and appears to have been done to gain public support for gainful employment and other regulations effecting the for-profit sector. The CDR data "released" by ED gave the impression that public colleges outperformed for-profit colleges. This story was carried forward by the media using information from ED. Unfortunately, that story does not match the true results.

ED's PUBLIC CDR BRIEFINGS | **ED's PUBLIC CDR BRIEFINGS**

5-YEAR COMPARISON OF PUBLIC COLLEGE DEFAULTS VS FOR-PROFIT COLLEGE DEFAULTS (+ -)

Public colleges student loan defaults have skyrocketed to over 125,000 MORE than for-profit colleges!



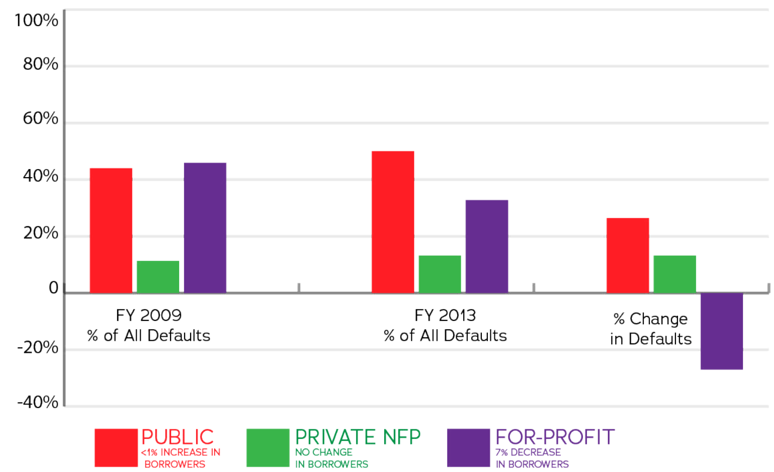
* NOTE: At this time ED was pushing for public support of Gainful Employment regulations that primarily apply to for-profit college programs.

OVER THE LAST FIVE YEARS THE FOR-PROFIT SECTOR IS THE ONLY SECTOR WITH THE PERCENTAGE OF TOTAL DEFAULTERS DECLINING

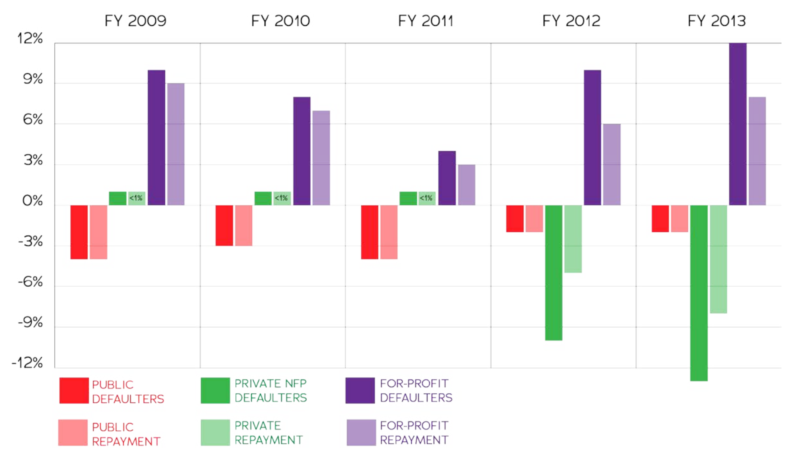
Both public and the private NFP saw significant increases in their percent of the total defaulters. Relative to each sectors' number of borrowers entering repayment, the for-profit sector reduced its CDR rates while public and private NFP sectors saw increased CDR rates.

The difference between ED's publicly released "official" CDRs and ED's true CDR data for for-profit college shows that the rates released by ED for the for-profit sector were higher than ED's true data. The consequence of releasing inflated for-profit sector CDRs was that the public, students, and lawmakers were misled about the for-profit sector's true CDR performance.

Sector-Level CDR Data Trends from FY 2009–FY 2013



Percentage Difference Between
ED's Briefing Information and ED's True Data



ANALYSIS OF 3-YEAR CDR FROM FY 2009 TO FY 2013

CDRS BY YEAR AND SECTOR		ACTUAL PEPS300 / REPORTED = PRESS RELEASES	# BORROWERS IN DEFAULT	TOTAL # OF BORROWERS	DIFFERENCE BETWEEN ACTUAL & RELEASED NUMBER OF DEFAULTERS
FY 2009	Public	ACTUAL	196,032	1,778,645	-8,700 ⬇
		REPORTED	204,732	1,843,809	
	For-Profit	ACTUAL	229,315	1,006,190	+20,353 ⬆
		REPORTED	208,962	924,495	
FY 2010	Public	ACTUAL	250,661	1,922,773	-9,031 ⬇
		REPORTED	259,692	1,988,473	
	For-Profit	ACTUAL	277,088	1,270,965	+21,277 ⬆
		REPORTED	255,811	1,183,784	
FY 2011	Public	ACTUAL	292,012	2,252,334	-11,276 ⬇
		REPORTED	303,288	2,339,807	
	For-Profit	ACTUAL	288,126	1,500,812	+12,332 ⬆
		REPORTED	275,794	1,461,292	

CDRS BY YEAR AND SECTOR		ACTUAL PEPS300 / REPORTED = PRESS RELEASES	# BORROWERS IN DEFAULT	TOTAL # OF BORROWERS	DIFFERENCE BETWEEN ACTUAL & RELEASED NUMBER OF DEFAULTERS
FY 2012	Public	ACTUAL	301,453	2,564,157	-4,990 ⬇
		REPORTED	306,443	2,610,431	
	Private NFP	ACTUAL	73,747	1,083,328	-8,034 ⬇
		REPORTED	81,781	1,139,356	
	For-Profit	ACTUAL	235,584	1,486,162	+20,504 ⬆
		REPORTED	214,880	1,399,425	
FY 2013	Public	ACTUAL	305,516	2,691,995	-6,376 ⬇
		REPORTED	311,892	2,748,489	
	Private NFP	ACTUAL	78,659	1,118,051	-11,903 ⬇
		REPORTED	90,562	1,219,022	
	For-Profit	ACTUAL	208,570	1,387,815	+22,097 ⬆
		REPORTED	186,473	1,291,425	

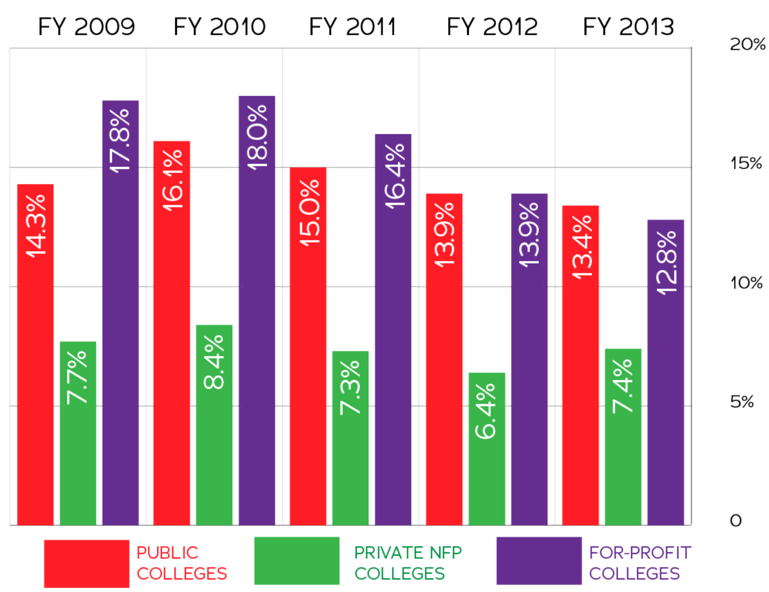
WHAT ED DOESN'T WANT YOU TO KNOW ABOUT FOR-PROFIT CDRS

Colleges must have CDRs below a certain level to participate in federal financial aid programs. A college's CDR is the percentage of students who enter repayment in a given federal fiscal year and then default before the end of the second subsequent federal fiscal year. Officials and lawmakers total the number of borrowers in default and the number of borrowers that entered repayment to produce a sector-level CDR. This methodology was chosen because it favors public colleges and private NFP colleges and does not favor for-profit college. ED's reporting of sector CDRs used to include the actual dollar volume of each sector's defaults. **ED stopped reporting the dollar volume of defaults years ago because the default dollar volume for public colleges and private NFP colleges was dramatically higher than the dollar volume of defaults at for-profit college.**

CDRS BASED ON AVERAGE CDR METHODOLOGY SHOWS FOR-PROFIT SECTOR PERFORMS WELL

When the average CDR of institutions within a sector is used, giving each institution equal weight, an interesting pattern appears and provides a more accurate picture of sector-level performance than the method ED currently uses. Today, the for-profit college sector is outperforming the public college sector on this definition of quality with average CDRs of 12.8% compared to 13.4% respectively.

Average CDRs by Sector Show Consistency Between Public and For-Profit Sector



(Percentages in the High Quality Schools graph are based on the total number of schools with a CDR in ED's PEPS300 data file for each fiscal year.)

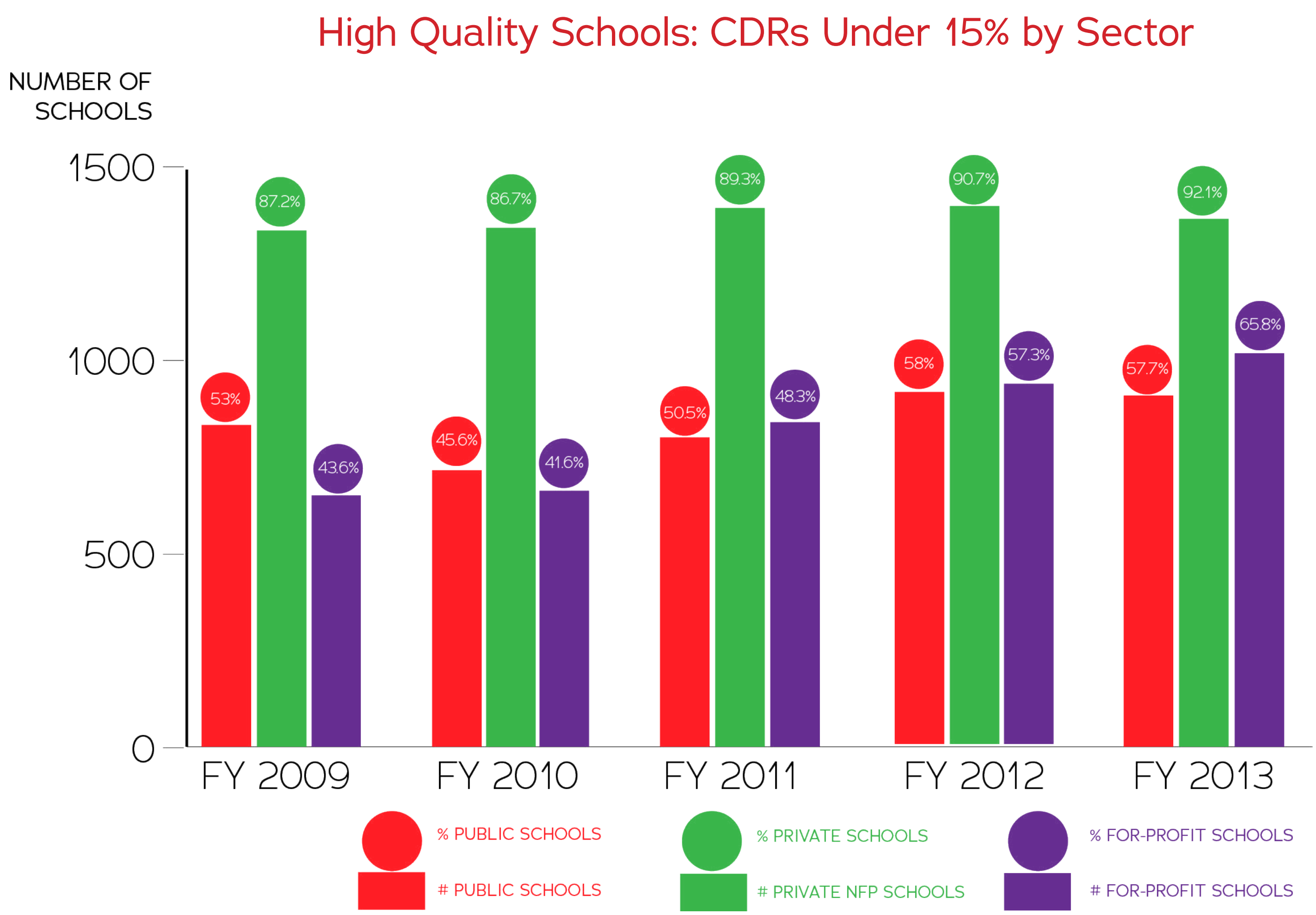
VERY FEW FOR-PROFIT SCHOOLS LOSE TITLE IV ELIGIBILITY BASED ON CDRS

The story and actions to "protect" students by ED purported that many for-profit colleges have poor CDRs; are being kicked out of federal aid programs because of high CDRs; and leave students with debt they can't afford. ED's true data contradicts this narrative.

FISCAL YEARS	PUBLIC COLLEGES	PRIVATE NFP COLLEGES	FOR-PROFIT COLLEGES
2009 – 2011 3-YEAR CDRS	0.1%	0.0%	0.8%
2010 – 2012 3-YEAR CDRS	0.4%	0.1%	1.1%
2011 – 2013 3-YEAR CDRS	0.0%	0.1%	0.6%*

IT'S TIME TO ADMIT THAT NOT ALL FOR-PROFIT COLLEGES ARE BAD!

The FY 2013 3-year CDRs (released in September 2016) show that two-thirds (2/3) of all for-profit colleges or 1,016 schools have CDRs under 15%. ED needed the numbers to match the narrative that the public should believe that for-profit colleges are unethical and leave students with debt they cannot afford, but ED's actual data contradicts the narrative. Colleges with CDRs less than 15% are considered "quality" institutions and these colleges receive regulatory benefits such as single disbursements and no 30-day disbursement delays for first-time borrowers.



CONCLUSION

At best, numerous and repeated errors in ED's reports are evidence of gross negligence—when the data is properly audited, we learn that MANY excellent, high-performing colleges in the for-profit sector exist. At worst, ED's misreporting and erroneous data is evidence of an agenda that has nothing to do with quality education. While some schools in ALL sectors should come under higher scrutiny, most for-profit institutions provide quality education options, especially for at-risk students, in critical fields of study vital to our infrastructure, health and wellbeing. For-profits provide needed job and vocational training that other higher education sectors are not prepared or well-suited to provide.

The College Scorecard errors recently admitted to by ED are just the tip of the iceberg. To resolve these issues, we must eliminate unreasonable targeted regulations; provide Americans with accurate information about true college costs and performance; and develop fair and equitable laws and regulations that hold ALL schools equally accountable for quality education and training. We must NOW address these critical issues to ensure we are prepared for future job growth.