Testimony to the Senate Education, Health, & Environmental Affairs Committee
SB 445: For-Profit Institutions of Higher Education and Private Career Schools - Instructional Spending – Requirements and SB 446: Institutions of Postsecondary Education – Disorderly School Closures
Position: Favorable

February 12, 2020

The Honorable Paul Pinsky, Chair
Senate Education, Health, & Environmental Affairs Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Education, Health, & Environmental Affairs Committee

Chair Pinsky and Members of the Committee:

My name is Whitney Barkley-Denney, and I am a senior policy counsel with the Center for Responsible Lending[1]. I am writing today to urge your support for SB 445: For-Profit Institutions of Higher Education and Private Career Schools – Instructional Spending – Requirements and SB 446: Institutions of Postsecondary Education – Disorderly School Closures.

Center for Responsible Lending Urges Favorable Action on SB 445: For–Profit Institutions of Higher Education and Private Career Schools – Instructional Spending – Requirements

In simple terms, SB 445 will require for-profit schools to spend at least fifty percent of their tuition revenue on instruction or reduce how much they charge students in tuition to meet the amount spent on instruction.

Twenty-four Maryland for-profit schools spend less than fifty percent of tuition revenue on instruction. Despite taking the majority of their revenues from taxpayer dollars via federal loans, Pell Grants, and the GI Bill, for-profit schools generally spend less money on instructing students and more on marketing and recruitment of students. [2]

It is important to note that Maryland borrowers are not all equally impacted by for-profit colleges and their practices. For-profit colleges disproportionately recruit low-income borrowers, borrowers of color, and women.[3] According to data from the federal Department of Education, 63% of for-profit college borrowers in Maryland are low-income, 62% are Black, and 66% are female.[4] For many of those

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[1] CRL is a nonprofit, nonpartisan research and policy organization which is dedicated to protecting homeownership and family assets by working to eliminate abusive financial practices. We strive to promise responsible lending and access to fair terms of credit for low-wealth families. Importantly, CRL is an affiliate of Self-Help Credit Union, which is the nation's largest community development financial institution with a mission of helping underserved people and communities build wealth and assets. CRL is 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.
[2] "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success," Senate Health, Education, Labor and Pensions Committee (2012)
[3] "Quicksand: Borrowers of Color and the Student Loan Crisis" Center for Responsible Lending (July 2019)
[4] "The State of For Profit Colleges" Center for Responsible Lending. Updated April 2019

Marylanders the promise of a quick credential to improve their lives, as well as pride in being able to attend college, lead them to enroll in programs that, in actuality, fail to provide a marketable degree. When colleges put more money into their advertising budgets than ensuring student success, it is inevitable that their graduates will struggle to see return on the tens of thousands of dollars they have invested in their education.

The twenty-four schools in Maryland who spend less than half of their revenues on student services are, unsurprisingly, no exception to this rule. On average, those twenty-four schools, who together spend only 31% of their revenues on instruction, have student bodies that are 49% Black, 59% low income, and 70% female.

Recent research has shown that college loan debt is actually widening the racial wealth gap. A Fall 2019 paper from Brandeis University found that, while the median white borrower has paid off 94% of their student loans 20 years after graduation, the median black borrowers **still owes** 95% of their original loan debt. And while there are many reasons for this gap, including a history of discrimination in employment and education and persistent racial disparities in income[5], we do know that entering a for-profit college is associated with a 10% higher rate of student loan default – even when all other factors are controlled for.[6]

Across the country, states are stepping up to protect for-profit college borrowers from abuse. Massachusetts, Maine, and California have all worked in recent years to rein in the practices of these schools, with Maine passing an instructional spending bill just last year. Given the current administration within the Department of Education, it has fallen to states to insist that borrowers get what they are paying for – instruction – from for-profit colleges. It is especially important to ensure that higher education works for borrowers, given that the average borrower will be paying for their degrees long after they cross the graduation stage.

This bill is not just about educational integrity and assuring the quality of institutions recruiting and teaching Maryland borrowers; it is about racial and economic justice. Therefore, the Center for Responsible urges you to move favorably on SB 445.

Center for Responsible Lending Urges Favorable Action on SB 446: Institutions of Higher Education and Private Career Schools – Disorderly School Closures

The Center for Responsible Lending also urges you to move favorably on SB 446.

In the last five years, twenty colleges in Maryland have abruptly closed their doors. Seventeen were for-profit schools, with total enrollments of nearly 7,000 students at the time they closed. Of course, those 7,000 students are just a fraction of the Marylanders now left with debt from schools that are no longer in operation.

Just as the students at the twenty-four schools that would be affected by SB 445 are disproportionately Black, low income, and female, so too are the students at schools that have closed in the last half decade.

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[5] "Quicksand: Students of Color and the Student Debt Crisis" Center for Responsible Lending (July 2019)

[6] Scott-Clayton, Judith. "What accounts for gaps in student loan default, and what happens after" Brookings Institute (June 2018)

Enrollment at those seventeen schools at the time of their closure was 68% low income, 74% female, and 70% Black.

A school closure leaves a wake a devastation in its path. Not only do students find themselves literally locked out of an education they believed would be their ticket to financial mobility and stability, they are also often left on the hook for loans they borrowed to pay for that education. For those students who attend for-profit colleges, an abrupt closure could be a personal and financial set back from which they never recover.

Although Maryland cannot prohibit schools from abruptly closing, it can create incentives for schools to close in a way that is less harmful to students and is not an abrupt closure. Clear guidelines for how schools conduct closures are needed to protect students and ensure that schools cannot close in a disorderly way. SB 446 does just this by prohibiting a closing school from not properly notifying students of its closure and failing to obtain transfer agreements, to other schools and by preventing an institution from collecting student debt if the school closes without abiding by the requirements for orderly closure. Additionally, this bill would improve processes in current law that established the guaranty fund to reimburse students who attend closed schools by requiring MHEC to immediately refund all of the non-federal loan money paid to the school by students enrolled at the time of the school's closure, allowing private student loan borrowers and veterans attending school with the GI Bill to regain their financial footing.

For all of these reasons, The Center for Responsible Lending urges a favorable vote on SB 446.

Thank you,

Whitney Barkley-Denney

Center for Responsible Lending