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NEVADA ATTORNEY GENERAL URGES CONGRESS TO CHANGE FOR-PROFIT SCHOOL FUNDING RULE

*GI Bill Funds Should Count Toward 90 Percent Cap
on Schools' Federal Money Limit*

Carson City, NV – Nevada Attorney General Catherine Cortez Masto and 21 of her colleagues from other states today sent a letter to Congressional leaders urging them to close a loophole in the Higher Education Act that is harming American veterans and their families. The attorneys general are asking Congress to require that GI Bill and Veteran's Assistance educational benefits be subject to the 90/10 rule, which prohibits for-profit colleges from deriving more than 90 percent of their revenue from Department of Education (Title IV) funding sources.

Currently, for-profit schools can derive 90 percent of their funding from public sources (Title IV funds) and then the remaining 10 percent from government veterans' programs, rather than obtaining at least 10 percent of their revenue from private sources as the law intended.

"I am working to close this loophole to end predatory recruitment of our service members by certain colleges," said General Masto. "This loophole has created a feeding frenzy for proprietary colleges looking to access veterans' benefits. During my recent visit to Nellis Air Force Base, I was informed that many bases are being overrun with for-profit recruiters who are more interested in getting their hands on these benefits than they are in educating our service members. This is unacceptable."

Federal lawmakers enacted the original 90/10 rule in 1998 following Congressional investigations of for-profit colleges. Congress designed the rule to instill more accountability in the industry. At the time, veterans' benefits were not a substantial source of potential income for proprietary colleges.

In 2008, Congress enacted the Post 9/11 GI Bill making billions of dollars in educational benefits available for veterans and their families. According to a February 2011 Government Accountability Office report, \$9 billion in educational benefits were provided to service members and veterans in Fiscal Year 2010. Of 20 for-profit colleges analyzed by the U.S. Senate HELP Committee, total military educational benefits increased from \$66.6 million in 2006 to a projected \$521.2 million in 2010. That is an increase of 683 percent.

“This gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in and take out private loans, which students often need because the federal grants are insufficient to cover the full cost of tuition and related expenses,” said Holly Petraeus, assistant director for service member affairs at the Consumer Financial Protection Bureau, in a September 2011 New York Times oped. “As long as military education funds are on the 10 percent side of the 90-10 rule, service members will be a lucrative target for exploitation.” Petraeus was in Las Vegas earlier this month with Masto to host a series of events to explain how service members and veterans can financially protect themselves.

It is well-documented that the economic downturn resulted in an exodus of private lenders from the subprime student loan market, which was also suffering from very high student-loan default rates. For-profit colleges largely depended on these private loans to obtain their 10 percent in non-federal funds. This exodus of lenders and the veterans’ loophole created a strong incentive to recruit military members. Schools are also using the military benefits to leverage even more Title IV funds, since each one dollar they obtain from DoD or VA sources allows them to obtain an additional nine dollars in Title IV funds.

“It’s no longer a secret that the worst actors in the for-profit college industry are aggressively targeting veterans in order to pad their company’s bottom line,” said U.S. Senator Dick Durbin (D-IL). “Senator Harkin and I have a bill - Protecting Our Students and Taxpayers (POST) Act – that would close the outrageous loophole that allows this to happen. We need Congress to act on it to protect students and veterans from aggressive recruiting practices and help ensure taxpayers are getting a return on their investment. The Attorneys General that signed on to today’s letter will be important partners in that effort.”

For a complete list of attorneys general who signed on to the letter, please see the attachment to this release. The effort was led by Kentucky Attorney General Jack Conway.

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