

Good morning. I am Katie Buitrago, Senior Policy and Communications Associate at Woodstock Institute, a leading research and policy organization focusing on financial systems reform, wealth creation, and fair access to financial services. Thank you for inviting me to speak today on student debt.

For-profit colleges are educating a growing proportion of undergraduates, especially low-income students and students of color. These schools are often more expensive than comparable programs at public colleges. In addition, for-profit colleges frequently provide a poorer educational experience than their counterparts. Just one-quarter of African American students at for-profit colleges graduate within six years. Without a degree, students will have a tough time finding jobs that allow them to repay their student loans. Several for-profit colleges are under investigation by state Attorneys General, the Consumer Financial Protection Bureau (CFPB), Department of Justice, Federal Trade Commission, and Securities and Exchange Commission for misrepresenting their programs, the programs' costs, and terms of student loans to students and the public.

Woodstock Institute is concerned about the impacts of poorly performing for-profit colleges on students' economic opportunities. We released research this week that found that many students at for-profit colleges are more likely to borrow, and borrow more, than students at public and nonprofit schools—even controlling for socioeconomic backgrounds, college costs, financial aid and resources, and more.

The report, “Starting out Behind: Trends in Student Loan Burdens at For-Profit Colleges”, found that:

- Students at two-year for-profit colleges were nearly 50 percent more likely to borrow than students at public colleges, all other factors being equal.
  - Latino two-year college students were over three times more likely to borrow at for-profit colleges than at public colleges.
  - African-American two-year college students were more than twice as likely to borrow at for-profit colleges as at public colleges.
  - White two-year college students were 75 percent more likely to borrow at for-profit colleges than at public schools.
- Latino and white students at four-year for-profit colleges were significantly more likely to borrow than similar Latino and white students at public or nonprofit schools.
  - African American students consistently had a high likelihood of borrowing at for-profit, public, and non-profit four-year colleges.
- Students who took out debt borrowed over \$1,300 more on average to attend two-year for-profit colleges than to attend two-year public colleges.

Based on these findings, we are concerned that there is something happening in the business models of for-profit schools that encourages students to borrow to finance their education. This merits further investigation. Colleges that foster unaffordable debt and generate poor educational outcomes should not be allowed to take advantage of students.

We applaud the CFPB's announcement today that it will improve student loan servicing for the many for-profit college students who struggle to repay their student loans. We urge the CFPB to create servicing standards that encourage affordable repayment options, improve communications between servicers and

borrowers, use an appeal process for dissatisfied borrowers, require timely and accurate application of loan payments and early notification of resources for borrowers in default, honor payment plans when servicing rights are transferred, and provide adequate and well-trained staff. These changes would help ensure that borrowers who cannot afford their loans—especially students who attended for-profit colleges—are treated fairly and have the opportunity to pay what they can until they get back on their feet.

Thank you for the opportunity to testify today.