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## CONGRESS ASKED TO CHANGE RULE ON FOR-PROFIT COLLEGES

*McDaniel, other AGs say GI Bill funds should apply to 90 percent federal money limit*

LITTLE ROCK -- Attorney General Dustin McDaniel and 21 other attorneys general today asked Congressional leaders to fix a loophole in federal law that allows for-profit colleges to operate solely on taxpayer funds and opens the door for the colleges to target our nation's veterans and their families.

Federal law prohibits for-profit colleges from deriving more than 90 percent of their revenue from federal Department of Education sources, including federally-guaranteed student loans. However, federal funding from GI Bill and Veteran's Assistance educational benefits are not subject to the "90/10 rule." As a result, for-profit colleges can derive the remaining 10 percent of their funding from government veterans' programs, rather than obtaining the 10 percent from private sources, as the law intended.

McDaniel and his colleagues urged Congress to amend the Higher Education Act to include veterans' benefits under the 90/10 rule.

"Some for-profit colleges are actively pursuing our returning veterans and their families and are looking to cash in on the benefits that our veterans truly deserve," McDaniel said. "Rather than have a real interest in improving the lives of those who serve our country, their interest is in collecting government

money to sustain their proprietary enterprise.”

Previously, for-profit colleges depended on privately-issued student loans to obtain their 10 percent funding under than 90/10 rule. The exodus of private lenders during the economic downturn, coupled with the veterans’ loophole in the law, created a strong incentive for the colleges to recruit members of the military. Of 20 for-profit colleges analyzed in a Congressional report last year, total military educational benefits increased from \$66.6 million in 2006 to a projected \$521.2 million in 2010, a 683 percent increase.

Holly Petraeus, the assistant director for service member affairs at the federal Consumer Financial Protection Bureau, said last year that the loophole “gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform ... 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.”

Other states whose attorneys general signed the letter were: Arizona, California, Connecticut, Delaware, Hawaii, Idaho, Illinois, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Mississippi, Nevada, New Mexico, New York, North Carolina, South Carolina, South Dakota, Tennessee and West Virginia.

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