Good afternoon.

Chairwomen L’Italien and Benson, members of the Committee, thank you for the opportunity to testify today.

I’m here to ask you to join me in supporting Senate Bill 112/House Bill 627, An act establishing a student tuition recovery fund.

I’d especially like to thank Chairwoman Benson and Senator Donoghue for their leadership in sponsoring this legislation.

Addressing fraud and abuse of student by for-profit schools is a top priority of my office.

We have brought enforcement actions against numerous predatory schools including: Salter College; Corinthian’s Everest Institute; American Career Institute; Kaplan University; Lincoln Technical Institute; and ITT Tech.

In each of these cases, our investigations have uncovered serious misconduct and egregious violations of state law.

For example, in our consent judgment against American Career Institute, the school admitted to deceptive and illegal practices such as falsifying student records and knowingly overstating graduation and job placement rates.

These schools rake in money by targeting our most vulnerable students—single mothers, first generation college students, returning veterans and servicemembers.
Time and time again, we have seen students who, while seeking new opportunities for
themselves and their families, were lured into programs that falsely promised
employment assistance, jobs and higher earnings.

Far too often, these programs left students with worthless degrees and little to show
for their efforts except unaffordable debt.

Many of these predatory for-profit schools—most recently American Career Institute
and ITT Tech—have shut down abruptly without warning to their students.

In most of these cases, the schools have such bad reputations that their credits can’t
even be transferred.

While my office has aggressively pursued relief for students harmed by these schools,
the restitution we are able to obtain is never enough to make all affected students
whole.

In fact, we often find ourselves litigating against bankrupt schools that will never pay.

My office started a first-in-the-nation Student Loan Assistance Unit to help these
students pursue every avenue of relief available to them.

Our team is available to help student borrowers apply for discharge of federal loans,
explore more affordable repayment options, avoid or resolve defaulted loans, and
mediate billing disputes with loan servicers.

In certain cases, we have successfully petitioned the federal government to cancel
loans for defrauded students of for-profit schools.

Last year, our team worked tirelessly to help over 1,200 eligible Corinthian students
successfully complete applications to cancel their federal loans.

And in January of this year, I announced that the U.S. Department of Education
granted our application to forgive the federal student loans of nearly 4,500 students
victimized by American Career Institute—totaling roughly $30 million in relief.

But most of these Corinthian and American Career Institute students are still waiting
for their loans to be discharged by the DeVos administration.

Under Secretary DeVos’s leadership, we can’t be certain this type of relief will be
available in the future.
And even with government relief, many students will be left with expensive private student loans.

Today, I ask you to support the creation of a Student Tuition Recovery Fund to help ensure that these vulnerable students are not left footing the bill for the illegal conduct of predatory for-profit schools.

This legislation would establish a fund, administered by the Attorney General’s Office, to reimburse eligible student who have suffered economic harm due to the sudden closure or unlawful conduct of a for-profit school.

The fund requires no taxpayer dollars. It would be funded by an annual assessment on all for-profit schools and may be replenished with funds obtained through settlements or judgments.

This is not a new idea. Over 20 states have established funds similar that the one we propose.

My office will continue to pursue all available avenues of relief for the victims of predatory schools—whether pursuing a claim directly against the school or seeking a discharge of federal loans.

But this fund would create an important safety net to fill in the gaps and make certain that financial relief is available for students harmed when a for-profit school breaks the law or suddenly closes its doors.

I urge you to report this bill out favorably.

Thank you again for the opportunity to testify before you today.

As always, our team at the Attorney General’s Office is ready and available to work with you and your staff on this bill.