Thank you, Alyssa for the introduction, Thank you to Chris and Angus for this excellent report, and thank all of you for being here today.

I am in strong agreement with the premise of this paper that we have a TBTF problem in the Education space. But TBTF isn't the only parallel that this crisis has to the subprime crisis...

In both cases, for-profit companies have taken dreams held up by our society as a path to a better life, and turned them into nightmares. We told our citizens that owning a home was the American Dream. And we tell Americans that education is the ticket to a better life – and the great equalizer. Both of these are ideals that the federal government works to subsidize.

But in the 2008 financial crisis, bad actors packaged and securitized the American dream, and they specifically targeted low income and minority communities. The Justice Department found that many banks gave Black and Latino borrowers subprime loans even when they qualified for prime loans. As one example, Wells Fargo paid the Justice Department $175 million to settle claims of fair lending violations. And that targeting took its toll. After the 2008 crisis, Black wealth fell by more than half, and Latino wealth fell even further – by 66%, according to Pew.

The executives at for-profit colleges looked at this economic devastation, and the desperation it created among the newly unemployed, and they saw dollar signs. In internal documents obtained by the Department of Justice, Corinthian described its target demographic as people who were "isolated" and "stuck." The targeting worked. The biggest increase in enrollment in for-profit schools came in the immediate wake of the crisis, from 2008-2009 when many Americans were feeling stuck. And many of these same communities targeted in the subprime crisis, were targeted once again by for-profit schools.

Between 2004 and 2010, Black enrollment in four-year for-profit schools jumped 264 percent—which is well over 200% more than the 24% growth in black student enrollment in four-year public colleges during the same time period. This isn't a surprise. These were schools that deliberately targeted low-income people of color through their advertising.

These are institutions that give terrible outcomes for their students. This May, the National Bureau of Economic Research found that on average, those who pursue Associate's and Bachelor's degrees at for-profit schools make LESS MONEY after they attend than they did before.

Despite these bad outcomes, billions in taxpayer money continue to flow to these institutions. For example, in the 2012-2013 academic year $8.5 billion in grant money from the GI Bill and the Pell program went to for-profit colleges. This is despite seven out of ten of the largest for-profit schools facing investigations or lawsuits by regulators and law enforcement.

To give you a sense of what some of these lawsuits were about, we can look to Corinthian, who was charged with false job placement statistics, predatory lending, securities fraud, and the unlawful use of military seals in advertisements. And this week, we've learned from newly unsealed court documents that Corinthian was also giving bonuses to recruiters based on how many new students they enrolled at Corinthian – which is illegal. This is also behavior we've seen at the for-profit college chain EDMC. And this substantiates what many advocates have long said – that these schools are really just call centers with classrooms attached.

What happens in the aftermath of acts like this? Former students I've spoken to often tell me they've sent out hundreds of job applications without any responses back. One former student, Jessica King of Newport News, VA, was told by an employer that she should remove her time at Everest College – one of the Corinthian schools – from her resume, because it was hurting her due to the school's atrocious reputation.

But these former students, who've been through so much just to pursue a better life for themselves and their families, didn't take this lying down. Instead, they went on strike.

I have volunteered with an organization you may have heard of called The Debt Collective. This is the group whose members organized the Corinthian student debt strike, which started with 15 brave students, then grew to more than 200.

But they didn't stop there. For decades, the Department of Education has had "Borrower Defense to Repayment" regulations in place that state that if the school violated state law, borrowers could apply to the Department to have their federal student loans cancelled, since the school broke the law and violated the terms they agreed to in order to receive federal money.

But this process is difficult to navigate. So two programmers and two attorneys volunteered their time to building a web application to help defrauded Corinthian students file Defense to Repayment forms. Thousands of applications were generated. Following this flood of applications, the Dept of ED noted in a notice in the Federal register that they were changing the language on their website due to a growing debt activism movement

So that brings us to where we are today. There are three main categories of work we still need to do to address this crisis:

1. The first is Debt cancellation for former Corinthian students

2. The second is updating the Borrower Defense regulations to make them stronger, not weaker; and

3. The third is implementing the kind of preventative medicine recommended by this report, to ensure that the Department doesn't have to face a crisis like this ever again.

Debt cancellation for Corinthian students

Despite two enforcement actions against Corinthian by the Department, and a victory in the Consumer Financial Protection Bureau's lawsuit against the school, the pace of the relief remains slow and narrow. The last publicly released numbers show that of the estimated 500,000 students who attended Corinthian historically, only 2,048 students have received debt cancellation through defense to repayment. TICAS has compared the approach the Department has taken to debt cancellation for Corinthian students to "draining a swimming pool with a straw."

Many of you in this room have been instrumental in pushing them on this point, and I thank you for it. The Department needs to do more to make former Corinthian students whole, as there are hundreds of thousands of Corinthian students who are still saddled with debt, their credit ruined, and their interest accruing.

Strengthening Borrower Defense Rules

The next item on our to-do list is making sure that the updated borrower defense regulations are strong, to ensure that there is a clear and fair process moving forward for students whose schools break the law. This month, the Department issued a borrower defense proposal, which is out for comment now through August 1st.

One of the best parts of the borrower defense proposal is the steps it outlines to protect students from forced arbitration—a practice used by many for-profits schools that forces students to give up their right to sue the moment they enroll. But this proposal could use improving to ensure all students are covered by the new protection. Currently, the proposal appears to leave out non-federal borrowers, meaning that students who pay tuition out-of-pocket, and students who rely on scholarships and grants such as the GI bill may still be subject to unfair forced arbitration clauses.

There are two other places where the proposal needs improving. For example, the Department does not presume that defrauded students will receive full relief. Students harmed by deceptive and illegal practices by their schools can never get back the time they invested. In addition, if the Department allows itself to only dole out partial relief, it will reduce the incentive the Borrower Defense rule provides to the Department itself, to ensure that they are monitoring schools appropriately on the front end, and preventing scams from happening in the first place.

The final piece to solving this puzzle is the kind of preventative medicine that Angus and Chris lay out in painstaking detail in this report.

As the report notes, "Early intervention [can] head off institutional failure before it becomes inevitable."

The Administration has a chance to write a new ending to the for-profit crisis, and to create a legacy much different from the one they left with the foreclosure crisis—and they don't need Congress to do it. The Department of Education has the authority to cancel Corinthian students' debt. They have an opportunity to create a new borrower defense process that's fair to defrauded students. And as Chris and Angus will describe, they already have the tools in their toolkit needed to ensure we never again see another Corinthian-level crisis. I hope we can work together to make sure they protect students and taxpayers over TBTF educational institutions.

Thank you.