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Hammer Hopes to Educate the Public, Inspire Educational Reform in "Injustice for All"

Written from an interview by Jenny Faubert with Mary Lyn Hammer, President and CEO, Champion College Services and Education Advocate

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2221 South Webster Ave, Suite A #255 • Green Bay, WI 54301 • 920-264-0199
jfaubert@careereducationreview.net • www.careereducationreview.net

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Mary Lyn Hammer said she vacillated between rage and sorrow when she felt the U.S. Department of Education forced one of her client's schools to unjustly close. But instead of just being mad or sad, she vowed to dig deep and discover what had really happened.

The result is her special report, "Injustice for All," which was hand delivered to key members of Congress the week of Jan. 5, and went on sale to the public on Jan. 22. Hammer hopes "Injustice for All" will help to stabilize the education industry and inspire productive reform.

"I want Congress to take this information seriously," she said. "They're going into Reauthorization and the next Reauthorization of the Higher Education Act is going to be in six years; the laws need to be written based on the truth, not on some manufactured agenda or data. That's the only way we're going to get quality education, and our kids deserve that."

She also hopes her report will make the DOE correct all of the schools' default rates, and not just the ones that are subject to sanctions. Lastly, and most importantly, she hopes "Injustice for All" will get students' loans wrongly defaulted during the transition to 100 percent direct lending put back into good standing and their good credit ratings restored.

> **"...the laws need to be written based on the truth, not on some manufactured agenda or data. That's the only way we're going to get quality education, and our kids deserve that."**

"The bottom line is that Congress needs to take these kids out of default and clean up their credit scores – period," Hammer said. "Besides, it will save taxpayers money because there are at least two servicing fees being paid for those students who have one or more current loans and one or more defaulted loans."

"Injustice for All" offers well-documented evidence of the U.S.

Department of Education's consistent pattern of data manipulation and misreporting. Hammer said she cross-referenced press releases and reports from the Department of Education with data from numerous databases publicly available on the DOE website and "found numerous discrepancies." An independent accountant, Kaiser and Carolin, P.C., verified her findings and calculations.

The catalyst for "Injustice for All" came in September 2014 when the U.S. Department of Education released the national official cohort default rates.

Hammer said she spent thousands of hours reviewing the numerous databases she audited, and then condensed the information into 96 tables in her report. Much of the information that she based those tables on has since been removed from the DOE's and whitehouse.gov websites. "The old spreadsheets where they report the default rates are no longer available," she said. The College Scorecard information "mysteriously disappeared" within a month of Hammer's first speech about the inaccurate information.

The catalyst for "Injustice for All" came in September 2014 when the U.S. Department of Education released the national official cohort default rates. For the first time, the DOE issued CDRs with "adjustments" to the rate calculations that are defined by law and with "acceptance" to appeal circumstances that were never allowed before, she said. But it only applied those exceptions to certain schools in jeopardy of losing Title IV federal funding, many which were community colleges and historically black colleges and universities, Hammer said.

What made her even more suspicious was that the DOE refused to provide a detailed list of those schools with adjustments, and lawmakers had not approved any changes to the laws that define cohort default rates, she said.

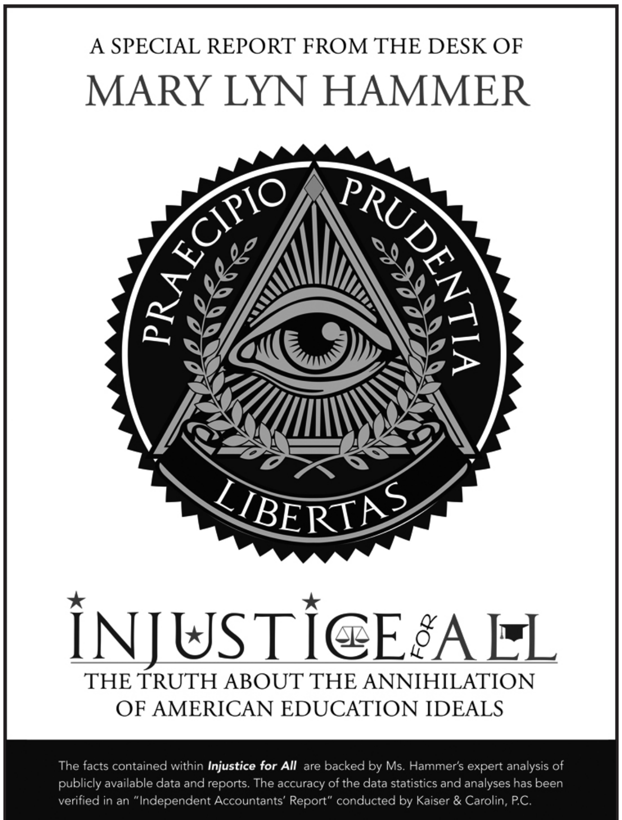
MARY LYN HAMMER is an education advocate, and the founder, president and CEO of Champion College Services, which offers default prevention for federal and private student loans, job placement verification, skip tracing, consulting services and custom surveys for students, alumni and employers. She specializes in staff training, program development, and default prevention operations, and has participated in training sessions and workshops for numerous state, provincial, regional, national, and private associations in both the U.S. and Canada.

Hammer has been elected four times to the Board of Directors for the Career College Association, now known as the Association of Private Sector Colleges and Universities. She is a charter member and former chairwoman for the Higher Education Allied Health Leaders Coalition, and she currently serves on the Board of Directors for the Private Career Colleges and Schools' Regions XIII, IX & X and for the Northwest Career College Federation.

Her belief that education is the vehicle for making dreams come true has led her into a life-long passionate fight, beginning in 1987, to rectify problems in the higher education sector to ensure future participation for all students. During her career in higher education, she has touched more than 3 million students' lives through her companies and advocacy.

Her accomplishments include numerous state, regional, and national awards and recognitions over the years in both the higher education sector and in professional business arenas. She has also participated in training sessions and workshops for numerous state, provincial, regional, national, and private associations in both the U.S. and Canada, and has had several hundred articles published in numerous higher education magazines.

Contact Information:
Mary Lyn Hammer
Champion College Services
7776 S. Pointe Parkway West, Suite 250
Phoenix, AZ 85044
Phone: 480-222-4314
Email: info@championcollegeservices.com or info@marylynhammer.com
Website: www.marylynhammer.com



To read an excerpt, review data and reports analyzed in the special report, or to purchase "Injustice for All," go to www.marylynhammer.com/book/

On the day schools received their 2014 official CDRs, Hammer received a call from a client who owned a proprietary inner-city school in Erie, Penn. She and the client had tried to get the school's default rates under the 30 percent allowable threshold through appeals without success, and the client had begun the process of closing her school on July 1, 2014. The client stopped pulling down funds, notified students, and for many students who could not graduate by the end of the year, found other schools to "teach out" the programs. Then, on Sept. 22, 2014, the school received a letter from the DOE notifying them that the school actually had three consecutive cohort default rates under 30 percent after the DOE made its "adjustments." But it was too late for the school to stay in business.

Hammer said at the time, no one understood what it meant because there was no explanation and it didn't match the data for the school's CDRs. Both she and the client made numerous calls and sent several emails asking for clarification, but the default management group at the DOE didn't respond.

On Sept. 23, 2014, the DOE publicly announced that it had made "adjustments" to the cohort default rates for those schools in jeopardy of losing Title IV funding. That morning, the historically black colleges and universities and community colleges had press releases ready to go when the DOE made its announcement. Those school groups knew about the adjustments before they were made. But the proprietary school that no longer needed to go out of business was never told, despite numerous phone calls with both the federal and regional offices of the DOE over months, Hammer said. In December 2014, *after 150 years in business*, the school celebrated its last graduating class and closed its doors.

Those school groups knew about the adjustments before they were made. But the proprietary school that no longer needed to go out of business was never told, despite numerous phone calls with both the federal and regional offices of the DOE over months, Hammer said.

However, there were 54 nursing students who had no place to go since there was no school within a reasonable distance that would allow them to finish their degree. "These were inner city kids," Hammer said. "They didn't have cars to drive to another town. Many of them were single moms. They were just out on the street." They were nursing students with broken hearts and broken dreams.

It was then that Hammer decided to look at the data at a detailed level, in hopes of finding out the real reason the DOE had adjusted the rates. She found a plethora of manipulated data and inaccurate reporting for private (Federal Family Education Loan Program or FFELP) and federal (Federal Direct Student Loan Program or FDSLP) loan program cohort default rates and for sector-level cohort-default rates and gainful employment rates.

In many ways, constant media focus on extreme examples of certain publicly traded proprietary institutions is a seductive distraction: the sleight-of-hand that keeps the U.S. Department of Education's epic failures out of the headlines.

Upset, one of the first people Hammer went to see what was John Boehner, then Speaker of the House, who formerly was chairman of the Education Committee. "He was stunned," she recalled. "I asked him what I should do, and he said keep investigating. When I had enough documentation, I went to the Education Committee."

She writes in her book:

> *"The greatest illusionists have used sleight-of-hand methods to distract people from seeing what they are actually doing. In many ways, constant media focus on extreme examples of certain publicly traded proprietary institutions is a seductive distraction: the sleight-of-hand that keeps the U.S. Department of Education's epic failures out of the headlines.*
>
> *"Almost silently with a whisper … a horrible fate is occurring in the United States — the annihilation of our higher education system through manipulation of facts presented to the public that provide false impressions of outcomes and performance metrics for ALL institutions of higher education. This situation wields the power to quickly turn America from a country lauded for ingenuity and leadership into one of growing ignorance and lacking self-reliance."*

She maintains the manipulated data and reporting from the DOE is designed to sway public opinion about sector-level performance in higher education and to hide the truth about the DOE's own failures and substandard performance. Hammer also believes that the DOE had two agenda items:

1. To eliminate private-sector FFELP companies for federal student loans
2. To eliminate for-profit institutions of higher education

The first agenda, to eliminate private sector FFELP companies, was accomplished with disastrous results, Hammer said, ruining the finances of several hundred thousand student borrowers with defaults that never should have occurred. Those were the result of DOE's mismanagement of the transition to 100 percent direct lending when those students' loans were transferred from private lending agencies to the federal government's management. Furthermore, when Hammer told the DOE about what had happened to the students who had correctly filed and had been approved for deferments, forbearances and payment options and whose status was not correctly transferred to the new federal conduit servicer, DOE officials did nothing, allowing the financial reputations of those students to be ruined, she said.

The second agenda, to eliminate for-profit institutions, is well on its way because the DOE has manipulated reporting to hide substandard performance at public institutions and purposely defamed the reputations of high-performing for-profit institutions, she said. The official FY 2012 CDR data actually shows that 57.3 percent of proprietary institutions have default rates under 15 percent; that the cohort default rates for the public and proprietary sectors net the exact same average of 13.7 percent; and that the public sector has 91,563 more defaults than the proprietary sector.

Hammer said she soon discovered that the data also had a pattern. "I thought, 'This is purposeful,'" she said. "So I kept digging to find out why they were doing this and what their story was. Their story, which was pretty consistent, was proprietary schools represented half the defaults and a low number of students. As they tarnished the reputations of the proprietary schools, those same students started going to the public schools. Enrollments went up in public schools and down in proprietary schools."

At the time, the DOE kept saying this was a school issue, but Hammer argued it was a student-centric issue. "When people grow up on welfare and have entitlement then that becomes their culture and they expect it. They expect to get a free ride. I have specialized in the at-risk student for all of these years because I was an at-risk student. We cater to turning that culture around and it's a painful process sometimes because it's a whole belief system."

Hammer said you can only help these students rise above it if they have an emotional buy-in. "Throwing 10 more financial literacy classes at these kids is not going to get them there," she said. "Kids today want to know what's in it for them. Until you get that buy-in … it's not going to make a difference."

That's why the higher-priced traditional and private schools generally have lower default rates – because most of their students come from traditional families who have good credit and who own homes. "But as those students have moved over to the public sector, the traditional and private school default rates have gone up and the proprietary school sector's default rates have gone down."

For example, the public sector number of defaults went up by a little over 101,000 from FY 2009 to FY 2012, and 99 percent of that was from the community college sector. "That's why I believe it is a student-centric issue," Hammer said. In 2015, there were 91,563 more defaults in the public sector than the proprietary sector. "So proprietaries no longer have half the defaults in this country; the public sector now represents 51 percent of the defaults in this country according to the CDR data."

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Hammer said her research showed that the DOE inflated the proprietary school numbers and deflated the public school numbers, but they kept the percentages about the same; however, the numbers of borrowers in default and repayment in the public and proprietary schools varied by many tens of thousands. "It doesn't match the school data. If you're pulling your report at the same time you're pulling the data, it should match," she said. "The appeals have to be processed by that time. Now that we have an electronics appeals process and data corrections, there are very, very few things that have to be corrected after the default rates are released. Most of the appeals at that point are not appeals that affect numbers."

"Injustice for All" also points out that the U.S. government is profiting on student loans. In fact, the U.S. government is projecting to earn well over $100 billion from the student loan program over 10 years; however, in 2013, the actual profit for the federal government from student loans was $41.3 billion, she said.

Hammer also analyzed the 2010 data in College Navigator and discovered that proprietary schools had a 60.4 percent graduation rate, while the graduation rate of private non-profit schools was about 55.6 percent, community colleges was 26.6 percent and all other public colleges was 45.6 percent.

Hammer said she believes the Obama administration eliminated FFELP for its own financial benefit and for control. She said the government's profit on student loans will continue to rise since students are taking out more student loans and there are fewer grants available.

She also said the federal government is making a massive profit off the interest on student loans through Obama's Pay as you Earn (PAYE) and Revised Pay as Your Earn (REPAYE) programs that offer repayment schedules with little to no principal reduction. "Then, the Department masks it as a 'loan forgiveness' program, but it fails to emphasize that a lump sum payment (in the form of taxes) will be due on the forgiven loan."

Under PAYE, approved applicants see their loan payments capped at 10 percent of their discretionary income that exceeds 150 percent of the federal poverty line. In general, students have 20 years to repay their debt and after 20 years, any remaining debt is forgiven or discharged. "But in most cases, that's either all interest or it goes into negative amortization," Hammer said.

Hammer said she looked at all the CDR databases, including FFELP and the Direct Loan program. She also looked at institutional data, gainful employment data, information rates, the DOE's College Scorecard website and the National Center for Education Statistic's College Navigator website. "I collected all of it and found a picture that was quite different than the one that had been pushed to the public," she said.

"In this year's cohort default rate data, 930 or 57.3 percent of the proprietary schools have default rates under 15 percent," Hammer said. "By federal definition, those are the high-performing schools. Those are the schools that get waivers for the 30-day delayed certification on first-time borrowers and they can pull down the funds in one disbursement." In comparison, 909 or 58 percent of the public schools have default rates under 15 percent.

The College Scorecard picked and chose which schools to include in their data, Hammer said. "No law schools or cosmetology schools were recorded," she said. "Sometimes they didn't have all the information there. There were a couple hundred community colleges reporting having a 0 percent default rate when they didn't have any loans at all. That is misleading and it made people assume they were outstanding schools."

Hammer also analyzed the 2010 data in College Navigator and discovered that proprietary schools had a 60.4 percent graduation rate, while the graduation rate of private non-profit schools was about 55.6 percent, community colleges was 26.6 percent and all other public colleges was 45.6 percent. "People think proprietary schools' loan balances are so much higher than community college loan balances," she said. "But when you take the percent of graduation and divide it into the loan amount for each of the sectors, the proprietary schools are the least expensive because they're graduating more than twice the number of the students."

In addition, gainful employment numbers were also manipulated. "The short answer is that when the correct repayment schedules were calculated, there were only six failing programs in the original gainful employment (final) data based on the regulations," she said. Originally, they reported 193 failing programs. Ironically, 56 of the failing programs fell within the zone. Ms. Hammer believes the zone definition in the GE 2.0 federal regulations were brought to the table by the Department because they no longer had the desired number of failing programs when the correct repayment schedule was used and that truly falls within legal definitions of "arbitrary and capricious."

Overall, information released to the public had been unreported or under-reported, her research showed. "For the public sector, it made their school outcomes and performance look better than it actually was," she said. "I found that there were egregious errors in reporting for the for-profit sector, making them look worse than they were actually performing."

She also found that the reporting for the Direct Loan program and FFELP had been inaccurately reported. The DOE reported themselves and the Direct Loan program as performing better than they actually did, and they reported FFELP as performing worse than it did. She also believes that some of the assault on proprietary schools is a distraction from what is actually going on and so the DOE has a scapegoat for the high number of defaults that should never have occurred.

"This couldn't have been done accidentally," Hammer said. "There are too many errors and the errors are in reporting, not in data. Year after year since the three year default rates have come out, the same patterns show." The three year CDR definition began with the FY 2009 CDR and gave a perfect opportunity for misreporting to go unnoticed.

The only variation in the patterns occurred in 2015 when the DOE reported the nation's CDR as 6.8 percent when it was actually 7.2 percent, she said. For the proprietary schools, the Department reported the sector at 15.8 percent when it was actually 15.4 percent.

But more important than the percentages is the number of defaults, she said. "The data reported (not the data itself) has been manipulated to cover up all of these defaulted loans that should not have happened."

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While some have said the differences may be the result of appeals, Hammer doesn't agree. "For the most part, the public sector schools don't do appeals unless they are going to lose funding," she said. "If they did do appeals, the number of defaults would go down in larger numbers than the number entered repayment. The goal is to decrease the rate by a significant number."

Hammer said the number of public schools in jeopardy of losing funding was minimal. In addition, the pattern of the same percentage decrease in both the number in default and the number entered repayment was exactly the same for FY 2009-2011. "That would be a big coincidence," she said.

But she said there are several other reasons the excuse of data discrepancies is invalid:

- Why would proprietary schools do appeals to increase their rates by several percentage points? They wouldn't.
- The number of "uncorrected data adjustments" is now so minimal because of the electronic processes. These include "incorrect data adjustments" that are submitted during the draft process and approved by the data manager that are not corrected in the final data. In other words, the final data used for the "official" CDRs is very clean.
- From dates provided on the PEPS300 files and the DOE Briefings, the information is pulled simultaneously. The DOE's answer to House Education and Workforce Committee Chairman (John) Kline's question was that all of the information is pulled from the NSLDS. It should match or have variations so small that it doesn't change the overall findings between the data and the reporting.
- Remaining appeals for loan servicing, low borrower numbers, or economically disadvantaged would not cause discrepancies in the data and reporting that are pulled in the same timeframe, if at all.

Hammer said she has been in default management for 28 years. "I've helped draft both the statute and the regulatory language for cohort default rates and the appeals processes. I have completed thousands of appeals over the years. The pattern after they have been approved is that the number of defaults decreases at a higher rate than the number entered repayment."

In addition, if adjustments and appeals were affecting the numbers, all of the numbers would change each year as borrowers are moved from one cohort to another based on the incorrect data adjustment, erroneous data appeals and loan servicing appeals, she said.

She remains troubled and concerned with what's she's seen and uncovered. "I saw thousands of accounts that we were servicing go from deferment status to default," Hammer said. "I made a trip to DC solely for the purpose of meeting with David Bergeron to ask him to intervene and correct these accounts. There are hundreds of thousands of students who went into default when they shouldn't have – and who are living with the consequences of defaulted loans and ruined credit ratings."

Bergeron is a senior fellow for Postsecondary Education at The Center for American Progress and former acting assistant secretary for postsecondary education at the U.S. DOE. While he couldn't get this solved while employed at the DOE, he agrees that if the students were wronged, they should be made whole. (http://chronicle.com/article/New-Book-Accuses-Education/235016)

Hammer maintains the Department has liability. At a time when the DOE is negotiating regulatory language for student loan relief from schools' wrong-doings, it has done nothing but blame others for its own wrong-doings to the borrowers and institutions adversely affected by defaulted loans that never should have occurred.

Schools in jeopardy of losing funding normally do loan servicing appeals. But Hammer said she believes the Department adjusted the rates for schools in jeopardy of losing their funding to keep people from looking at the loan servicing records. "Then people would know what I know – that those loans should never have gone into default," she said.

In addition, the Department has not reported its own Direct Loan default rates, she said. "When they release the information on the top 100 loan holders, and they provide the loan holder data, they don't include the Direct Loans. They haven't for the last two years. So they're not reporting on themselves."

Hammer said she took the FY 2011 loan holder data and compared it to the school data. She found there were 785,000 students who weren't reported in the loan holder data and 234,000 defaults that were unreported. "That equates to a 30.4 percent default rate," she said.

"They needed a scapegoat and the scapegoat is the proprietary schools," Hammer said. "They're blaming the escalating defaults and the students are being ripped off. They're creating this whole scenario to take the focus off of themselves."

The response from Congress to Hammer's book and her allegations has so far been complicated. "At first, they looked at me like I had three heads," Hammer said. "I had to sit down with them and walk them through the evidence because it's huge spreadsheets and data files." But the special report has helped in that it puts complicated information into layman's terms so people can more easily understand it.

The timing of the special report is particularly important since Congress is working on reauthorizing the Higher Education Act. "The public thinks all proprietary schools are bad," she said. "They have a Scarlet Letter label on their heads … and that's not right."

Hammer said until the laws are written to address the quality of education in every institution, regardless of their tax filing status, children will have a lesser-quality education. "The proprietary schools have standards that the public sector would never pass," she said. "If these are such great standards, apply them to all. If you can't apply them to all, then come up with a quality standard that you can apply to all and hold everybody accountable. Doing the right thing is right for students, schools, and the federal fiscal interest."

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2221 South Webster Avenue, Suite A #255
Green Bay, WI 54301
Phone: 920-264-0199 | Fax: 920-659-7797
Email: jfaubert@careereducationreview.net | Website: www.careereducationreview.net

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