

Close the 90-10 Loophole: Military and Veterans Education Protection Act

Summary

- The 90-10 Rule is a federal law passed by Congress in the 1990s that requires for-profit schools to derive at least 10 percent of their revenues from sources other than Title IV federal student aid. It was designed to protect taxpayers by making sure that for-profit schools demonstrate a demand for their product in the private market. Since the enactment of the Post-9/11 GI Bill in 2008, for-profit schools have exploited a loophole in the law that allows for-profit schools to count Department of Veterans Affairs (VA) and Department of Defense (DOD) educational dollars as non-federal funds. For-profit schools use this “90-10 loophole” to evade Congressional intent and can obtain 100 percent of their revenues from taxpayers by recruiting veterans and service members. As Holly Petraeus noted, “This gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in.”
- Since 2009, more than 1.2 million service members, veterans, and their families have financed their higher education using the Post-9/11 G.I. Bill, and millions more will take advantage of this generous and hard-earned benefit in the years to come. In the past five years, 40 percent of Post-9/11 G.I. Bill tuition benefits have gone to the for-profit sector, even as questions continue to be raised about these institutions’ graduation, default, and job placement rates. As the Senate HELP Committee [documented](#) last year, this is particularly concerning for taxpayers, who are spending twice as much to send veterans to for-profit schools compared to the cost at a public college or university.
- The 90-10 loophole has led to aggressive and high-pressure sales tactics that have targeted veterans. Seven of the eight top for-profit recipients of Post-9/11 GI Bill funds are currently under investigation for deceptive and misleading recruiting or other possible violations of state and federal law. Investigations have also been undertaken by bipartisan state Attorneys General and by the Department of Justice (DOJ), the Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC), and the Consumer Financial Protection Bureau (CFPB).
- The 90-10 loophole has also exacerbated financial problems in the for-profit industry, at great cost to military and veteran students and taxpayers. In the last few months, Corinthian Colleges closed 28 campuses (16,000 students), DeVry closed 14 campuses (converting the programs to online-only), Education Management Corporation (EDMC) closed 15 Art Institute campuses (5,500 students) and Career Education Corporation (Career Ed) closed 14 Sanford-Brown campuses (8,600 students). For-profit schools’ overreliance on taxpayers was exposed by the Center for Investigative Reporting [analysis](#) that revealed that 133 schools failed to obtain 10 percent of their revenues from non-federal sources in 2013. Among the 133 evading the 90-10 Rule were several of Corinthian Colleges’ recently shuttered Heald and Everest campuses.
- The Military and Veterans Education Protection Act is a much-needed solution to protect military and veteran students, as well as taxpayers, by ensuring that for-profit schools obtain at least 10 percent of their revenues from non-federal funding sources. Senator Carper’s legislation closes the 90-10 loophole by counting VA educational programs (Post-9/11 GI Bill) and DOD educational programs (Tuition Assistance) on the 90 percent side of the 90-10 formula rather than the 10 percent side.