

# Beware For-Profit Colleges

## How The For-Profit Industry Is Hurting American Students And Our Economy

Elizabeth Sohns

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Investigations by the federal government, media, and state Attorneys General have [revealed numerous instances](#) of deceptive for-profit colleges, particularly those run by large, publicly-traded companies. Under the leadership of Senator Tom Harkin (D-IA), the U.S. Senate Health, Education, Labor and Pensions (HELP) Committee conducted a thorough investigation of the for-profit sector of higher education from June 2010 to July 2012. For-profit colleges have become a contentious issue as they engage in manipulative tactics to enroll as many students as possible in order to maximize profits.

As enrollment has increased, the quality of education has not kept pace. Prices are too high, program quality is substandard, many students are admitted without regard for their potential for success or ability to afford tuition and repay loans, and post-graduation placement efforts are inadequate. Augmenting the problem, most Americans are unfamiliar with the for-profit college model. According to [a study released](#) by Public Agenda, 65 percent of current students and 63 percent of alumni at for-profit colleges are not familiar with the term “for-profit college” which can make it even more challenging for advocates working to educate the public about these substandard programs and practices.

### Publically Traded And Federally Funded

- Unlike public universities, for-profit colleges and universities are [managed and governed](#) by private organizations and corporations. Like any business, they are ultimately [accountable by law](#) for the returns they produce for shareholders.
- 75 percent of [students attending for-profit colleges](#) in 2011 were enrolled in a for-profit college that is Wall Street owned, which means it is publicly traded on NYSE/NASDAQ or owned by a private equity firm.
- On average, for-profit colleges [charge more](#) than three and a half times as much for the same degree at public institutions in the same state. This takes into account average tuition for certificate programs, Associate degrees, and Bachelor’s degrees.
- However, on average [for-profit schools only spent](#) \$2,659 per student on instructional costs during the 2008-2009 school year,

- compared with \$9,418 per student at public universities and \$15,289 per student at private non-profit colleges.
- In fiscal year 2010, the 30 for-profit colleges examined in the committee report [derived 79.2 percent](#) of revenue from Federal student aid programs.
  - During the 2009 to 2010 school year, [for-profit institutions received](#) \$32 billion in federal grants and loans, including \$7.5 billion specifically in Pell Grants.
  - Among the 30 for-profit educational institutions investigated in the report [an average](#) of 22.49 percent of revenue went to marketing and recruiting, 19.4 percent to profits, and 17.75 percent to instruction.
  - The [average compensation](#) of CEOs of publicly traded for-profit colleges in 2009 was more than \$7 million, according to the Senate report. At non-profit colleges and universities, the five highest paid leaders received an average of \$3 million.

### **Growth Of The For-Profit College Industry**

- In the [fall of 1981](#), only 152,235 students attended for-profit schools and accounted for just 1.23 percent of total enrollment in higher education institutions. In 2011, 30 years later [the fall enrollment](#) at for-profit schools had skyrocketed to 2,358,442 students, or 10.94 percent of total enrollment.
- For-profit colleges originally gained popularity because they appealed to students who traditional higher education programs [tended to ignore](#), such as working adults with children. As more community colleges continue to exceed their enrollment capacities, for-profits [offer an alternative](#) with flexible scheduling, online options, and convenient locations.
- [Apollo Group Inc.](#) is the parent company of the University of Phoenix, the largest for-profit college.
- Today [there are](#) 15 publicly traded for-profit higher education companies that together enroll more than 1.4 million students, or 63 percent of all students who attend for-profit colleges.

## Young People Misled About Quality Of Education, Left With Dismal Employment Opportunities And Massive Amount Of Student Debt

- One of the main findings of the investigation, indicated by various documents provided to the HELP Committee, detailed aggressive, deceptive, and sometimes [misleading recruiting practices](#). Appallingly, “recruiting materials indicate that at some for-profit colleges, admission representatives were trained to locate and push on the pain in students’ lives.”
- Some [former students say](#) their schools overpromised the kinds of jobs they would land after earning a degree. Only about [half of the grads](#) from WyoTech Fremont, which specializes in car and motorcycle repair, found the kind of jobs they prepared for within six months of graduation.
- Three career services employees at Lincoln Educational Services Corporation’s Grand Prairie campus [made arrangements](#) with an employer to falsely state that Lincoln graduates had worked for that employer. The director gave the employer gas cards and cash, in return for his false statements.
- The manipulation of job placement rates has been a widespread problem throughout the for-profit college industry. [National College](#) admitted that “the successful employment” rates it advertises represents graduates “who are employed in any field”, [including ones](#) who are flipping burgers at McDonald’s or serving coffee at Starbucks.
- Of 1.1 million students who enrolled in for-profit colleges owned by 30 education companies during the 2008-2009 school year, 597,000 or 54.4 percent [had dropped out](#) without a degree or diploma by 2010.
- For four year degrees, for-profit colleges [only have](#) a 22 percent on-time graduation rate compared to 55 percent at public and 65 percent at private nonprofit colleges and universities.
- Data from the Department of Education suggest that for-profit schools often [do not prepare students](#) for successful careers: 72 percent of career programs offered by for-profits produce graduates who earn less than high school dropouts, compared to only 32 percent of programs at public institutions.
- 96 percent of students at for-profit colleges [take out student loans](#),

- compared to 13 percent at community colleges, 48 percent at 4-year public, and 57 percent at 4-year private non-profit colleges.
- In [a report](#), by The Institute for College Access and Success (TICAS), from 2011-2012 for-profit colleges enrolled 13 percent of students nationally but had the largest share of students who defaulted on their student loan debt with 46 percent.
- Internal documents from the Apollo Group, which operates the University of Phoenix, [indicated that](#) estimated lifetime default rates for 2-year students were as high as 77 percent.

### **Taking Advantage Of Veterans And Service Members**

- According to the 2012 Senate report, 8 of the 10 schools receiving [the most GI bill dollars](#) are for-profit institutions.
- [This occurs](#) because of a loophole in federal law. Congress did not specifically name the GI Bill when listing federal education aid, which means for-profit colleges can count the GI Bill and military tuition assistance as non-federal dollars to avoid the 90 percent cap they face on federal aid.
- While [about 11 percent](#) of all students attended for-profit colleges in fall 2011, the report [showed that](#) nearly 30 percent of students using the GI Bill are attending for-profit schools.
- Federal taxpayers spend [more than twice](#) as much per veteran at for-profit schools compared to public schools.
- In fiscal year 2012, the Department of Defense spent \$660 million on tuition assistance; [half of it](#) went to for-profits.
- The University of Phoenix runs a [“military division.”](#) publishes an online military newsletter, and is allowed to air ads on the American Forces Network; many for-profit recruiters are also [allowed to visit](#) soldiers on bases.
- For-profits don’t give the greatest return on investment for the GI Bill and they don’t provide the quality education veterans deserve. From [the veterans’ perspective](#), they often feel “taken advantage of” by for-profits and wary of the online programs they offer. Many see for-profits as “making veteran isolation worse, not better.”
- Veterans who are assured their GI benefits will cover everything [may find out](#) after they enroll that those benefits have run out and they will need to take out a sizable loan at a high interest rate.

- When [Mae McGarry](#) left the Army she decided to pursue a degree in criminal justice and psychology. She found an online program with a for-profit university that gave her the flexibility she needed to take care of her kids. After three years, McGarry decided to switch schools when she realized her school did not have the proper accreditation. The credits she earned during those three years could not be transferred to the new school she wanted to attend. Having exhausted all of her federal benefits, McGarry had to take out loans to complete her education. She's now \$64,000 in debt.

### **Lobbying And Campaign Contributions**

- When the Obama administration pledged to have stricter regulations on for-profit colleges in 2010, lobbying in the industry [skyrocketed](#)—the industry went from spending less than \$2.7 million on lobbying in 2009, more than \$7.4 million in 2010, and almost \$12.5 million in 2011.
- In 2013, for-profit education institutions [spent a total](#) of \$7,090,474 on lobbying.
- Since the start of 2014, for-profit education institutions have [already spent](#) more than \$970,000 in campaign contributions, with 68 percent going to Republicans and 32 percent to Democrats.
- In 2014, the [top three for-profit education](#) contributors to federal candidates, parties, and outside groups have been Apollo Education Group, Warburg Pincus (a private equity firm [that owns](#) 61.9 percent of Bridgepoint Education), and the Association of Private Sector Colleges and Universities.

### **Court Cases**

- Kentucky Attorney General Jack Conway is [leading a total](#) of 32 state Attorneys General investigating for-profit colleges on a variety of issues, including misleading students about college costs, student loans, and graduation rates.
- Attorney General Jack Conway previously [led an investigation](#) into QuinStreet Inc., an online marketing company that ran GIBill.com, and misled and diverted student veterans to their for-profit school clients. The Attorney General's office [reached a settlement](#) with QuinStreet in 2012, forcing the company to turn over the [GIBill.com](#) domain to the Department of Veterans Affairs, shut down its related social media sites, and pay \$2.5 million to the states involved in the settlement.

- In 2011, seven former employees [filed a lawsuit](#) against [Harris School of Business](#) and its parent company, Premier Education Group. The case was unsealed and available to the public last fall. The employees accused school officials of misleading students about their career prospects and falsifying records to keep them enrolled in order to continue receiving federal money.
- In February 2014, the Consumer Financial Protection Bureau (CFPB) [sued](#) ITT Educational Services, accusing the for-profit college chain of predatory student lending.
- Many for-profit colleges include a clause in students' enrollment agreements that requires them to [settle disputes with the school](#) through binding arbitration, preventing many students from bringing their cases to court.

# Personal Anecdotes

## Brandon Paul Watts

*Nearly 10 years ago, I chose a for-profit educational institution for a second degree. I was passionate about becoming a photographer and a filmmaker. I was a little older and knew exactly what I wanted from my education. I was hungry for inspiration and education. All I could think about was being successful. While I was a student, I received an award at the prestigious College Photographer of the Year competition.*

*After I graduated, I had borrowed nearly \$175,000 for my Bachelor's. During the admissions phase, I was told that I would garner at least a \$100,000 as a professional in my field upon graduation. But midway through, I discovered, much to my dismay, that I would have to have a cosigner to complete the program. My dad agreed because he wanted me to succeed as much as I wanted to succeed, maybe more.*

*I continued, and graduated with honors. I thought I was a nobody until I had that degree, and that having a degree is what made me a good person finally, a respectable person. It couldn't have been further from the truth.*

*I was already drowning in debt, and I didn't even know it. My dad would soon be taken under, too.*

*Amazingly, I was hired as an editor right out of college, but not making nearly what I was promised I would make. After six months in the field, I began paying my loans back. I paid more than half of what I made toward my student loan debt on a graduated repayment plan. I couldn't afford to do anything but pay my immediate bills and student loans. I worked in the field for three years and needed out of the corporate world, so I started my own business, as a camera operator and editor. I've been in business now for three years.*

*Things started off very slowly and my dad had to pick up where I left off, repaying the loans. By this time the payments were higher, much higher. I simply could not build a business and also stay on top of my debt. I pay a portion, and he takes the rest—probably a 90/10 split with Dad taking the 90. It's slowly killing us. My dad's wife recently was laid off from her job, and now he's the only breadwinner in the house. He plans to retire a year from now, and we are in panic mode. My business is getting stronger each year, but if I paid for my loans each month, I would go out of business, instantly. It's safe to say that my student loan debt is tearing my family apart.*

## Damian Shaw

*The Minnesota School of Business offered a program that was tied with another school, the Institute of Production and Recording (IPR), in which my major was to be in audio production. Before I could get my degree, IPR lost its accreditation; therefore, the degree for which I moved across the country to achieve was lost. Minnesota School of Business offered to put me in another program for a different degree, but that would require more time and money for schooling as most of my electives didn't count for any of their remaining programs and that's not why I moved to Minnesota. After leaving Minnesota, my debt was roughly \$25,000. At this point, considering I've had to endure several forbearance periods, my debt is now roughly \$34,000.*

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## Mane Lavadenz

*After the real estate market collapsed, it was difficult for me to earn a living. I decided to take some studies, and I enrolled in UEI, a for-profit college in San Diego County. I chose UEI because they guaranteed I would find a job after college. Once I graduated, I couldn't find a job and UEI didn't help, and this happened to our entire class. Now, I'm stuck with \$9,000 in student loans for a school that didn't prepare me or help me find a job, which has accrued to more than \$10,000. There's no way I would go back to UEI knowing what I know now. I only know a few people in my class who are working. There's one person right now who's working at our local recycling plant, but just like me, she went to UEI to become a medical assistant.*