Roll Call

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Harkin: Reform Oversight Of For-Profit Colleges

By Sen. Tom Harkin

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For those thinking about enrolling in a for-profit college, the age-old advice “buyer beware” is doubly warranted.

Over the past year, the Senate Health, Education, Labor and Pensions Committee has taken an in-depth look at this sector of higher education. Our ongoing investigation has revealed disturbing findings that call into question whether these companies are delivering the outcomes that they promote to students and whether they are making good use of the billions in taxpayer dollars that they collect annually.

The committee has exposed alarming practices in the for-profit education industry, including misleading and abusive marketing and recruiting. But we have also focused on poor-performing schools that are making enormous profits thanks almost entirely to federal dollars, even as students drop out with large debts.

Take, for example, Corinthian Colleges Inc., which owns and operates 122 schools serving 105,000 students. This month, Corinthian raised tuition 12 percent for students seeking associate and bachelor’s degrees. That means a student studying to attain a bachelor’s degree in business will pay an additional $8,000. With the total price of the degree exceeding $90,000, the average student will graduate with tens of thousands of dollars in debt.

While many colleges feel pressure to increase tuition this year as states slash budgets for higher education, Corinthian is different. As a for-profit company, the states’ fiscal crisis will have little effect on its bottom line. In fact, last year the company made $240 million in profit after taking in more than $1.4 billion in federal education aid dollars, about 90 percent of the company’s total revenue.

Congress must be concerned about schools such as Corinthian not only because their high tuition rates appear to be disconnected from the value of the education, but also because the population of students that for-profit colleges enroll is particularly vulnerable. Many students at for-profits are the first in their family to seek an associate or bachelor’s degree, and many come from low-income backgrounds. These students do not enroll by happenstance; for-profit schools target them with aggressive and sophisticated marketing campaigns.

The harsh reality is that most students at for-profits do not graduate. For example, 67 percent of Corinthian associate degree students who enrolled in 2008-09 withdrew without a degree by mid-2010. These students are not getting good value for the money that they have invested, and many of them face difficulties repaying their student loans — loans that were paid directly to Corinthian but were provided and guaranteed by taxpayers.

Even as those who graduate struggle to repay their debt, investigations in California and Texas revealed that Corinthian falsified student employment records to convince the regulators and the public that its unemployed and underemployed students were able to secure good jobs. While higher education has paid off handsomely for many generations of Americans — in terms of lifetime earnings and status in the workplace — students at for-profits who drop out before earning a degree do not realize those benefits.

Even before recent tuition increases, students who dropped out of Corinthian schools without a degree often left with oppressive student debt. As many as 40 percent of students at certain schools operated by Corinthian default within three years of leaving school. The average student attending a Corinthian-operated school is three times more likely to default as the average student in the general higher-education population.

Corinthian has responded to this abysmal record not by restructuring programs, lowering tuition or putting money into helping students find jobs that allow them to repay their loans, but by putting tens of millions of dollars into “default management” operations. The company recently told investors, “We substantially expanded our default management program at both the campus and corporate levels, and we are seeing the benefit of that investment.”

Using call centers and contractors, the company tracks down former students and encourages them to sign up for forbearances and deferments. These temporary solutions improve Corinthian’s statistics by pushing students who are at risk of default outside of the window measured by the Department of Education. This solution works for Corinthian and its shareholders, but it is not necessarily in the best interest of students.

Some for-profit colleges have succeeded in building a highly profitable business structure while failing to provide the student support, learning environment and career services that will enable their students to graduate and succeed. At their best, for-profit colleges provide opportunities for traditionally underserved students to pursue postsecondary education. This is highly desirable and deserves taxpayer support. But the federal government must be vigilant to ensure that poor-performing for-profit schools with huge dropout and student-default rates are not allowed to continue to receive billions of dollars in federal taxpayer subsidies each year.

I am determined to draft legislation to reform federal oversight of for-profit higher education. This effort deserves bipartisan support. The challenge is to crack down on the bad actors and abusive practices, while preserving the positive options and innovations that some for-profit colleges have pioneered.

Sen. Tom Harkin (D-Iowa) is chairman of the Health, Education, Labor and Pensions Committee.