

## For-Profit Colleges Get Boost From Change in Veterans' Benefits

By John Lauerman - Feb 23, 2011

For-profit colleges, whose recruitment practices have been probed by Congress and the Department of [Veterans Affairs](#), got a boost from changes to a veterans' benefits bill approved in December.

The law will let veterans receive \$673 a month for housing while taking college courses online, about half the average allowance for students attending classes on campuses. Passed by Congress Dec. 16 and signed by President [Barack Obama](#) last month, it also adds money for veterans in training and non-degree programs that are offered by many for-profit colleges.

The new benefit may entice more veterans to take online courses at for-profit colleges, even as the schools draw scrutiny from the U.S. government, said Derek Blumke, co-founder of the [Student Veterans of America](#), a Washington-based advocacy and support group. The Department of Veterans Affairs began collecting data on the industry's "questionable" recruiting in October and cut some companies from its benefits programs, according to a Feb. 10 letter VA Secretary Eric Shinseki sent to Democratic Senator [Richard Durbin](#), who has held hearings on for-profit colleges in his home state of [Illinois](#).

"Students are finding themselves in schools that are worthless, with teachers that are without credentials and programs that don't lead to jobs," Durbin said in a telephone interview about veterans' education benefits. "This is a national scandal."

Twenty for-profit colleges received \$521 million from veterans' and military educational programs last year, according to a Dec. 9 report by Senator [Tom Harkin](#), an Iowa Democrat and chairman of the Senate education committee.

### Kline's Measure

The housing stipend for online students, included in the [Post-9/11 Veterans Education Assistance Improvements Act](#) of 2010, was sought by supporters of for-profit colleges, who say it increases access to education for rural and disabled students. The benefit broadens educational choices that veterans had been seeking since the original Post-9/11 GI Bill took effect in 2009, said [Harris Miller](#), president of the [Association of Private Sector Colleges and Universities](#), a Washington-based for-profit-college

trade group. Most of the changes in the law take effect in August.

“We’re saying they should have the choice, and we’re glad that Congress agrees,” said Miller, whose group lobbied for the bill, in a telephone interview. “I wouldn’t want to tell someone who was willing to fight and die for our country in Iraq or Afghanistan how they should get their education.”

Some advocacy groups say taking online courses at home isolates veterans who need to socialize after returning from a tour of duty.

## Social Support

“For the vet, it’s not about sitting at a computer and trying to graduate,” said John Schupp, founder and national director of Supportive Education for Returning Veterans, which helps establish veterans-only courses on college campuses. “In the military, you rely on people to support you through situations. You’re not going to get that online; I don’t care if you have an online chat room.”

The housing stipend represents a shift for the Post-9/11 GI Bill, an expansion in veterans’ educational benefits that Obama co-sponsored as a senator. Housing stipends for online students were left out of the original bill, probably to encourage students to attend classes in person and contain costs, said Blumke, 30, of the student veterans’ group.

## ‘Less Than Ethical’

For-profit colleges embed advertising in benefits information websites that appear otherwise official and impartial, Blumke, a [U.S. Air Force](#) veteran who served in [Afghanistan](#), said in a telephone interview. Students who click on links offering more information are invariably steered to for-profit colleges rather than non-profit ones, he said.

“The recruiting techniques of some of these schools have been less than ethical,” Blumke said. “When you’re paying the high costs for some of these schools and drop out, as many attending the online for-profit colleges do, you’re worse off than when you started.”

Eight of the top 10 colleges providing education for VA- funded students in 2009 were for-profit institutions, led by [Apollo Group Inc.](#)’s University of Phoenix, the largest for-profit college, according to the agency. The [average drop-out rate](#) at 16 for-profit colleges in 2008-2009 was 57 percent, Harkin said in a report published Sept. 30 that didn’t give the names of the institutions.

## Blocking Move

The U.S. House of Representatives voted Feb. 18 to block proposed Education Department regulations of for-profit colleges that would tie their eligibility for federal government student aid to graduates’ incomes and loan repayment rates. Representative [John Kline](#), a Minnesota Republican and the

measure's chief sponsor, said the regulations would deny low-income students access to job training. The measure, part of a spending bill, must be approved by the Senate to take effect.

For-profit colleges have tried to recruit veterans because their benefits don't count against a government cap on education companies' annual revenue from federal grants and loans. The rule limits such revenue to 90 percent. Apollo Group has said it may violate the cap this year.

The benefits law approved in December received support from the [Veterans of Foreign Wars](#), the [American Legion](#), the [National Guard Association](#), and other military and nonmilitary groups, said Tim Embree, legislative associate for the [Iraq and Afghanistan Veterans of America](#) which backed the bill. It passed unanimously in the Senate and with only three opposing votes in the [House of Representatives](#).

### 'Flexible' Approach

"Students choose institutions with online modalities, such as University of Phoenix, because they seek a flexible and balanced approach to higher education," said [Manny Rivera](#), a spokesman for Apollo Group, in an e-mail. "At University of Phoenix we provide veteran and military students with dedicated and comprehensive support services through our Military Division -- a team of just under 1,000 individuals, many of whom are veterans themselves -- to help military students attain their academic goals every step of the way."

The [Congressional Budget Office](#), which analyzed the bill, didn't estimate the cost of the new housing stipend for online study. Overall housing expenses in the bill were expected to decline \$1 billion over the next 10 years because of cuts in allowances for students attending physical campuses, the CBO said.

## Job Training

The law also expands benefits for veterans taking job-training courses, a specialty of for-profit colleges, and is expected to cost the Veterans Administration about \$475 million in tuition, books, and housing stipends, the CBO said.

"Some of this money will surely make its way to the for-profit colleges," said Bradley Safalow, an analyst with [PAA Research](#) in [New York](#). For-profit colleges got about \$32 billion in government student grants and guaranteed loans last year, according to the U.S. Education Department.

The Bloomberg U.S. For-Profit Education Index of 13 companies has fallen 22 percent in the past 12 months through yesterday.

About 71 percent of education benefits for active-duty military personnel went to online programs in

fiscal 2009, according to the Defense Department. While soldiers may need the flexibility of Internet courses during deployment, the advantages shrink when veterans return home, said Donald Overton, executive director of [Veterans of Modern Warfare](#), a Washington-based advocacy group.

### ‘Roped Into Programs’

“Our concern is that veterans may be getting roped into programs that won’t meet their needs,” said Overton, who testified before Congress in September about the law, in a telephone interview. “We believe that distance learning can help promote access to education, but we know a typical bricks-and-mortar education is going to be looked on better by employers than an online degree.”

Harkin has been investigating misleading student recruitment practices, use of government funds and the effectiveness of job placement at for-profit colleges. Since he began his probe, state prosecutors in Florida, Iowa and [Kentucky](#) have opened investigations of the companies.

The VA is compiling a list of companies that have lost eligibility for funds, said Katie Roberts, a spokeswoman, in an e-mail. Durbin said he has asked for a copy of the list.

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