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For-Profit Colleges Oppose Tighter Regulation in U.S.

By REBECCA APPEL

Part of a government plan to more closely regulate the for-profit education sector in the United States has been delayed, after an outcry from school supporters.

The U.S. Department of Education announced on Sept. 24 that it would move forward with most of its tighter regulations on the for-profit education sector, which are designed to protect students from misleading recruitment practices and from running up huge debts, among other issues.

Those regulations will go into effect on July 1, 2011, as planned. But some others, referred collectively to as the “gainful employment” proposal, have generated criticism from students, administrators and other supporters of for-profit education, particularly a provision that links federal aid to for-profit colleges to the levels of student debt that are incurred, along with the rates of student loan repayment.

The Department of Education received about 90,000 comments critiquing the proposed regulations in the 90 days following their announcement. After this response, the department has agreed to meet with representatives of for-profit schools and education advocacy groups on Nov. 4 and 5 at department headquarters in Washington. The finalized gainful employment rules will now be published in early 2011.

According to the regulations that are going forward, the department will now require that all for-profit secondary institutions be clear with prospective students about their historic rates of graduation and job placement, and the department will consider likely levels of student debt and prospective income upon graduation.

Currently in contention, however, is the proposal that would require any new program seeking federal aid to show that its training prepares students for occupations actually demanded in the industry in question.

“These schools — and their investors — benefit from billions of dollars in taxpayers subsidies, and, in return, taxpayers have a right to know that all of these programs are providing solid preparation for a job,” the U.S. education secretary, Arne Duncan, said in a July 23 statement.

Manny Rivera, the spokesman for the Apollo Group, the largest provider, by enrollment, of adult-education in the United States, which runs the University of Phoenix, said in a statement Apollo’s concern was that the regulations being proposed “could constrain students’ ability to choose the school or program best suited to their needs.”

Nicole Beattie, a student at the Art Institute of Pittsburgh, agreed, explaining in a letter to the department that federal loans were necessary for her to obtain a college degree. She wrote that she worried that such loans could disappear if her “choice of a major doesn’t fit the Department of Education’s notion” of a path of study that will lead to a job.

Duncan M. Anderson, president and chief executive of Education Affiliates, a Maryland-based for-profit education company, said in a letter, “Neither the department nor employers should be able to control the new programs that a school may offer.”

According to Mr. Anderson, this will “prejudge the efficacy of and market for a new program” and is “likely to hinder innovation and growth.”

Other department proposals respond to concerns that for-profit schools knowingly enroll students who are likely to drop out or fail, burdening them with huge loans. The department says these regulations will heighten its ability to penalize institutions that have significantly misrepresented their programs to prospective students.

They will also crack down on loopholes like the “safe harbor” provisions, which effectively allowed schools to bypass legislation forbidding recruiter compensation per student enrolled.

According to the department, these and other practices have resulted in the matriculation of under-prepared and misinformed students. The new rules are intended to hold the for-profit education sector “accountable to protect students and taxpayers from abuse” Mr. Duncan said.

The Apollo Group, for its part, says it has already announced plans to bring the company in line with these elements of the department’s proposal. Apollo now intends to offer all prospective students the opportunity to complete a free, three-week, university orientation

program, a not-for-credit course that will allow them to “try out” college risk-free. Moreover, it will no longer pay recruiters based on how many students they enroll.

“Apollo Group supports the Department’s efforts to enhance accountability within higher education, and we strive to play a leadership role in implementing student protections and transparently reporting the outcomes and achievements of our students,” Mr. Rivera said

Nevertheless, the proposed changes have shaken up the for-profit sector.

Apollo Group Inc. withdrew its forecast for fiscal-year 2011 on Oct. 13. Its shares subsequently declined by 23 percent, to $38. As of Oct.22, Apollo stock was trading at $36.27. The company is predicting a 40 percent drop in enrollment for next year and says that it may be forced to raise tuition.

Several other education stocks, including Education Management, DeVry, Corinthian Colleges, ITT Educational Services, Career Education and Strayer Education, also reported double-digit declines, on Oct. 14.

Meanwhile, the Florida attorney general announced this week that it will investigate Kaplan (the education division of The Washington Post Co.) and four other for-profit institutions — Education Management’s Argosy Education Group, Education Affiliates’ MedVance Institute, Apollo Group’s University of Phoenix and Corinthian Colleges’ Everest College — for potential misrepresentation of financial aid, recruitment and accreditation practices.

The attorney general’s office has not stated whether additional schools might be investigated. The decision was prompted by an August report issued by the U.S. Government Accountability Office, as well as public complaints.