CQ Researcher

Published by CQ Press, a Division of SAGE

www.cqresearcher.com

Career Colleges

Do they take advantage of low-income students?

Weak job prospects have propelled hundreds of thousands of Americans to take out student loans to train for careers in health care, computer technology, business administration and food service at for-profit schools known as career colleges. Enrollments at these alternatives to traditional schools have more than tripled since 2000. But a recent government investigation exposed deception in recruitment and admissions at several schools, while congressional hearings have questioned the high levels of debt and low graduation rates among career schools' disproportionately minority and low-income students. To protect students and weed out low-quality career schools, the Department of Education has proposed tighter regulations for federal financial aid. But the industry has launched an intensive lobbying campaign against the new requirements, arguing they will block more than a million students from desperately needed educational and career opportunities.

Aja Holmes, an online student at the University of Phoenix from Raleigh, N.C., is among hundreds of thousands of working Americans seeking to better themselves through coursework at career colleges.

INSIDE THIS REPORT

CQ Researcher • Jan. 7, 2011 • www.cqresearcher.com
Volume 21, Number 1 • Pages 1-24

CQ Press

Recipient of Society of Professional Journalists Award for Excellence ◆ American Bar Association Silver Gavel Award

Career Colleges

The Issues

Background

Current Situation

Outlook

Sidebars and Graphics

For Further Research

Cover: AP Photo/Jim R. Bounds

CQ Researcher

Jan. 7, 2011
Volume 21, Number 1

Managing Editor: Thomas J. Billitteri
tjb@cqpress.com

Assistant Managing Editor: Kathy Koch
kkoch@cqpress.com

Contributing Editor: Thomas J. Colin
tcolin@cqpress.com

Associate Editor: Kenneth Jost

Staff Writers: Marcia Clemmitt, Peter Katel

Contributing Writers: Roland Flamini, Sarah Glazer, Alan Greenblatt, Reed Karaim, Barbara Mantel, Tom Price, Jennifer Weeks

Design/Production Editor: Olu B. Davis

Assistant Editor: Darrell Dela Rosa

Fact-checking: Michelle Harris

CQ Press

A Division of SAGE

President and Publisher:
John A. Jenkins

Director, Reference Solutions:
Todd Baldwin

CQ Researcher (ISSN 1056-2036) is printed on acid-free paper. Published weekly, except: (May wk. 4) (July wks. 1, 2) (Aug. wks. 2, 3) (Nov. wk. 4) and (Dec. wks. 4, 5), by CQ Press, a division of SAGE. Annual full-service subscriptions start at $803. For pricing, call 1-800-834-9020. To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at $15. Bulk purchase discounts and electronic-rights licensing are also available. Periodicals postage paid at Washington, D.C., and additional mailing offices. POSTMASTER: Send address changes to *CQ Researcher*, 2300 N St., N.W., Suite 800, Washington, DC 20037.

Career Colleges

By Barbara Mantel

The Issues

In late September, about 1,500 students, teachers and administrators from for-profit colleges — everything from small trade schools for cosmetology to corporate-owned universities offering business degrees — rallied in front of the U.S. Capitol, many wearing T-shirts proclaiming, "My education. My job. My choice."

Arriving in buses paid for by the industry, they were there to defend their schools — better known as career colleges — which had come under attack in a series of Senate hearings.

A selection of for-profit colleges was accused of encouraging prospective students to falsify financial-aid applications and recruiting students with exaggerated promises of jobs and salaries. At the same time, the industry as a whole was chastised for failing to graduate the majority of its students and leaving dropouts and graduates alike with crushing debt. For-profits deny the charges and say they are doing a public service by tailoring programs to the needs of low-income working adults.

"All State does a great job of preparing you to present yourself for a job," said student Sarah Martin, 22, who rode one of six buses sent by All State Career School in Baltimore, where students can train to be pharmacy assistants, truck drivers and air conditioning technicians. "It's up to you to take advantage of the situation." [1]

The demonstrators — and their schools — were incensed by proposed federal regulations that would require career colleges and vocational schools to show that a minimum percentage of former students are repaying student loans and are not burdened with excessive debt. If they can't, they risk losing eligibility to participate in federal student-aid programs.

Getty Images/Bloomberg News/Adam Rountree

For-profit schools train students — typically working adults — for careers in fields ranging from health care to food service. Above, would-be chefs learn food preparation at the Art Institute of New York City. Recent congressional hearings questioned the low graduation rates and high debt levels among the career-school industry's disproportionately minority and low-income students. To protect students, the government has proposed tighter student-aid regulations, but career schools say a million needy students would be penalized.

The next day, at the third hearing on for-profit higher education in as many months, Republicans on the Senate Health, Education, Labor and Pensions Committee, chaired by Sen. Tom Harkin, D-Iowa, aligned themselves with the demonstrators and expressed their disgust with the hearings. Complaining that representatives from career colleges had been treated with hostility earlier in the summer, Republicans refused to invite industry witnesses this time around. [2]

"In my 14 years, I haven't been through a series of hearings that have been this one-sided," said Sen. Michael Enzi of Wyoming, the panel's top Republican, who walked out after his opening statement. Sen. Richard Burr, R-N.C., charged Harkin with conducting a "witch hunt." [3] And Sen. John McCain, R-Ariz., accused the chairman of going on "ad nauseam" about abuses at for-profits before he, too, left the room. [4]

But Harkin defended the process. "This committee's ongoing investigation has brought to light disturbing practices that appear to be systemic to this industry and that raise serious questions about the enormous taxpayer investment in these schools," he said. [5]

For-profit higher education has been a rapidly growing business, although 2010 saw a slowdown under a cloud of congressional scrutiny, bad press and new regulations. Between 1998 and 2008, enrollment more than tripled to nearly 2 million students. While about a fourth of those students attend the thousands of small, privately-owned career schools throughout the nation, three-quarters are enrolled at multistate institutions familiar from late night television advertising and highway billboards — such as DeVry University, ITT Technical Institutes and the University of Phoenix — and owned by 14 publicly traded companies. [6]

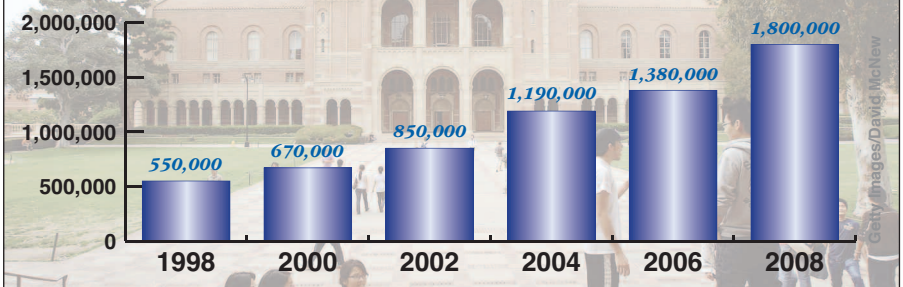
Wall Street analysts divide these dominant players into three groups:

- **"Online Schools" —** the fastest-growing, including companies such as

Enrollment Tripled at Career Colleges

The number of students at for-profit colleges reached 1.8 million in 2008, more than triple the number from just a decade earlier.

Enrollment at For-profit Colleges, 1998-2008



Source: "Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," Senate Health, Education, Labor and Pensions Committee, June 2010

Bridgepoint Education, the owner of Ashford University.

• **"Bricks-and Clicks"** — which offer a mix of campus-based and online programs leading to associate, bachelor's and advanced degrees; they include DeVry Inc. and Apollo Group, the parent of the University of Phoenix.

• **"Vocationals"** — which offer primarily campus-based associate-degree and certificate programs and include such companies as Corinthian Colleges and ITT Educational Services. [7]

But they all have one thing in common: They predominantly offer career programs in fields such as business, health care, technology, criminal justice and education. And they all rely heavily on federal student aid under Title IV of the Higher Education Act, such as Pell grants and Stafford loans, for their income. In fact, it accounts for nearly 80 percent of the for-profit sector's revenue. [8] The aid levels are high because some 95 percent of the students at career colleges borrow to cover tuition, a much higher percentage than at public and private nonprofit colleges and universities. [9]

As a result, while for-profits enroll close to 10 percent of all higher education students, those students receive more than 23 percent of all Title IV funds. Their students also account for 44 percent of loan defaults. Part of the reason for the high default rate is that a large percentage of students at for-profit institutions drop out with debt but no degree.

Industry executives defend their record, saying those debt and default numbers are a function of the students they serve. "Kaplan has brought innovation and excellence to a population of largely low-income students who don't usually have access to either," Andy Rosen, chairman and CEO of Kaplan Inc., wrote to *The New York Times* in response to a critical news story. The Washington Post Co. owns Kaplan, which operates Kaplan College and the online Kaplan University. [10]

For-profit institutions say they provide access to higher education to working adults who are crowded out of oversubscribed community colleges and neglected by traditional universities. Their students tend to be older — more than half are over age 25 — and heavily minority. Blacks, Hispanics, Asian-Americans and American Indians account for nearly 40 percent of for-profit enrollment. Two-thirds are female. [11]

But while defenders say for-profits provide students with educational access, critics ask, "Access to what?" "These programs overpromise, under-deliver and load vulnerable students up with way too much debt," said Chris Lindstrom, higher education program director at the U.S. Public Interest Research Group (USPIRG), part of a coalition of consumer, student and public-interest groups supporting tighter regulation of the industry. [12]

At the end of October, the U.S. Department of Education released rules aimed at protecting prospective students from aggressive or misleading recruiting, requiring accurate information about the effectiveness of career college and vocational-training programs and ensuring that only eligible students and programs receive financial aid. [13] Although many of the rules, which take effect this July, apply to all of higher education, several will hit the for-profit sector hardest.

Some of the rules are:

• **Graduation-Rate and Job-Placement Disclosures:** For-profit colleges and for-profit and public vocational institutions will be required to provide prospective students with a program's graduation and job-placement rates.

• **Misrepresentation:** The Education Department will have more power to crack down on institutions engaging in deceptive advertising, marketing and sales practices.

• **Incentive Compensation:** Schools will no longer be able to base part of admissions recruiters' compensation on their success in enrolling students and securing financial aid for them.

• **High School Diploma:** Institutions will be required to verify a student's high school diploma if the institution or the Education Department believes it might come from a diploma mill — an unaccredited institution that offers substandard or no coursework.

• **Ability to Benefit:** The Education Department will gain stronger oversight over "ability-to-benefit" testing,

which for-profit institutions use to qualify prospective students for federal financial aid when students lack a high school diploma or GED.

• **Credit Hour:** For the first time, the Education Department will define a credit hour to eliminate some institutions' practice of awarding a student more credits — and by extension more federal student aid — than deserved.

The department has delayed releasing one final rule, probably the most contentious, until sometime early this year. As proposed, the "gainful employment" rule, effective July 2012, would eliminate federal student aid for for-profit and vocational programs in which high proportions of former students are not repaying their loans and whose graduates end up with debt far too high for the salaries they earn.

In addition to organizing September's rally at the Capitol, the for-profit industry has lobbied fiercely against the rule behind the scenes and in the media, calling it discriminatory against the low-income and minority students it serves and a product of an unfair and biased rule-making process.

As the debate continues, here are some of the questions being asked:

Students at Career Colleges Incur More Debt

Nearly all students pursuing a bachelor's degree at for-profit colleges incur debt upon graduation, far more than their counterparts at public or private nonprofit colleges. The average amount of debt for bachelor's students at career colleges exceeds $30,000 — more than the debt levels at traditional schools. Similarly, nearly all students who receive associate degrees at career colleges incur an average of $20,000 in debt, almost double the level at public colleges.

Average Debt at Graduation for Students by Type of School and Degree, 2007-2008

	BA recipients		AA recipients		Certificate recipients	
Type of school	% with debt	Amount of debt	% with debt	Amount of debt	% with debt	Amount of debt
Public	62%	$20,200	38%	$10,350	32%	$9,200
Nonprofit	72%	$27,650	71%	$19,300	52%	$15,250
For-profit	96%	$33,050	98%	$19,700	90%	$11,500

Source: "Higher Education Reform Forum," Institute for College Access & Success, October 2010

Is deception pervasive at career colleges?

Jeffrey West was making $8 an hour at a pet store near Philadelphia when he took out $30,000 in student loans to pay for a nine-month training program in auto-body refinishing and upholstering at WyoTech, a chain of trade schools owned by publicly traded Corinthian Colleges Inc. The tuition seemed high to him, he said, but the school's recruiter told him the program had a job-placement rate of 90 percent. "That was one of the key factors that caused me to go there," West told *The New York Times*. "They said I would be earning $50,000 to $70,000 a year."

But 14 months after graduating, West couldn't find an automotive job and was weatherizing foreclosed houses for $12 an hour while making student loan payments of $600 a month. "It's really frustrating when you're trying to better yourself and you wind up back at square one," West said.

A Corinthian spokesperson told *The Times* that it bars recruiters from making promises about pay and that most graduates see a significant increase in earnings. [14]

Critics of the for-profit industry say hard-sell tactics are the inevitable result of a loosening of regulations. In 1992, in response to reports of abusive recruiting practices, Congress banned schools participating in federal student-aid programs from paying commissions, bonuses or other incentive payments to employees based on the number of students they enrolled or the amount of financial aid they secured.

A decade later, the Department of Education under President George W. Bush carved out exceptions, called safe harbors, which allow such payments as long as they aren't based "solely" on enrollment or financial-aid numbers. According to the department's inspector general, "Proprietary institutions are making full use of the safe harbors . . . to drive enrollment." [15]

"That creates an incentive for admissions officers at those schools to mislead applicants because their livelihood depends on students signing on the bottom line," says David Hawkins, director of public policy and research at the National Association for College Admission Counseling, in Arlington, Va. The association encourages fixed salaries for its membership, which excludes counselors from the for-profit sector. Many of these students, says Hawkins, are unsophisticated consumers, often the first in their family to pursue coursework beyond high school. "We've seen this abuse happen in a rather spectacular way," he says, pointing to lawsuits by former

students and employees of for-profit colleges as well as federal and state investigations.

One of the biggest investigations was conducted last year by the U.S. Government Accountability Office (GAO), the investigative arm of Congress, which released a report at Harkin's August Senate hearing. Teams of undercover applicants visited 15 campuses of 12 for-profit institutions. The GAO found fraud at four campuses when its "students" were encouraged by college personnel to falsify their federal financial aid forms to qualify for loans and grants.

The GAO also found deceptive or questionable recruitment practices at all 15 locations. College representatives misled applicants about program duration and costs, gave deceptive information about graduation rates and accreditation or exaggerated potential salaries and job prospects. A beauty school, for instance, told an undercover applicant that barbers earn as much as $250,000 a year. In addition, many admissions staff pressured applicants to sign enrollment contracts before allowing them to speak to financial-aid representatives. [16]

"I can't project to the population of colleges out there, but it would be hard to say that these are the only 15 locations doing these kinds of things," says Gregory Kutz, managing director of forensic audits and special investigations at the GAO. "The admissions process is a sales process. They are trying to make money and get people enrolled, and some are more aggressive than others."

Schools cited in the report include branches of the University of Phoenix, Kaplan College, Everest College, owned by Corinthian Colleges, and Education Management's Argosy University. [17]

The response to the GAO report was immediate. Kaplan suspended enrollment at two campuses, started retraining all of its admissions and financial-aid teams and eliminated enrollment-based compensation. "The actions described in the GAO report at two of our colleges are simply unacceptable and contrary to our standards and values in every way," the company says.

"We took the GAO findings very seriously," says Manny Rivera, executive director of public affairs at Apollo Group. Like Kaplan, it no longer ties compensation to enrollment numbers. "We also put in place new ethics and compliance measures for our admissions advisers, and we are implementing a new digital call-monitoring system . . . to ensure that our counselors are not providing any false or misleading information to prospective students."

In December, the GAO revised its report, altering some of the language transcribed from the undercover videotapes. Most changes were minor, but a few did soften the appearance of wrongdoing. Nevertheless the GAO said nothing has changed in its overall message or with any of its findings. But industry representatives cried foul, and some have asked for the report to be withdrawn.

Three of the schools in the GAO report are accredited by the Accrediting Commission of Career Schools and Colleges (ACCSC), which has strict standards for admissions and recruitment. ACCSC's executive director, Michale McComis, says on-site evaluations and student surveys show that the problems identified in the GAO investigation "are not widespread amongst our accredited institutions."

Still, ACCSC created a task force to evaluate institutions' recruiting, advertising and admissions practices, and on-site evaluation teams will look more closely at those practices during their normal accreditation reviews.

But the GAO's Kutz says the ACCSC on-site efforts are likely to fall flat. "What are the accrediting agencies going to see?" he says. "They're going to get a dog-and-pony show."

Kutz says the accreditors are not equipped to go undercover, and the accreditors agree. However, the Department of Education certainly can. "We did refer all of these cases to the department," says Kutz, "and whether they use that to enhance their oversight or not, I don't know."

One week after the August Senate hearing, Secretary of Education Arne Duncan wrote Sen. Harkin that the department is examining the GAO's findings and would refer for criminal prosecution any individuals who committed fraud. Duncan also said the department is hiring more than 60 additional oversight staff and will develop its own undercover program. [18]

Harris Miller, president of the Association of Private Sector Colleges and Universities, favors stepped-up enforcement by accreditors, states and the federal government. "Every admissions officer should assume that the person in the seat opposite you is an undercover mystery shopper," says Miller.

Even more than mystery shoppers, the Department of Education's elimination of the safe harbors, announced in October and effective this July, will have the most impact on deceptive practices, says Hawkins. "The statute's teeth have been reinserted," he says. "There isn't much nuance anymore. You cannot pay people for recruiting."

Do career colleges provide a quality education?

"Earn your degree on your terms." [19] That philosophy is stated prominently on the website of the University of Phoenix, which, like most career colleges, promotes its flexible scheduling, small classes, hands-on learning, online student community and faculty drawn from the real world as the best model for teaching working adults.

"Given this situation, for-profit institutions ought to be — in theory at least — places where quality learning takes place," wrote Kevin Kinser, a senior researcher at the Institute for Global Education Policy Studies at the University at Albany, part of the State

University of New York. "The evidence that it does, however, is sparse." According to Kinser, there are few assessments of intellectual development among students at career colleges, and almost nothing is known about what goes on in the classroom except what is in faculty training manuals and what campus administrators claim. [20]

But Sylvia Manning, president of the Higher Learning Commission, one of six regional accreditors and the accreditor of a growing number of for-profit institutions, disagrees. Manning says that while her agency relies on self-reports from institutions it accredits, whether for-profit, public or private nonprofit, it doesn't leave it at that.

"We demand that they have stated learning objectives for every course and that they collect data on that," says Manning. "And then we push them further by asking them to figure out what it is in the teaching or curriculum that is delivering less than perfect results." Newly accredited institutions are visited after five years and then every 10 years after that, although the addition of a new program or location will trigger a fresh review.

"That process has become an exercise in futility," says Barmak Nassirian, an associate executive director at the American Association of Collegiate Registrars and Admissions Officers, whose members are mostly from public and private nonprofit institutions. The problem, he says, is that the accreditation process is based on an assumption of good faith, an assumption Nassirian questions when profits are at stake. "If you don't go into the classroom and see whether the syllabus is being taught, if you don't know what is going on in the admissions office, if you have no investigative tools, I can sell you the Brooklyn Bridge," he says.

Without accreditation from a government-recognized agency, a postsecondary school cannot enroll students with federal financial aid. Schools also must be approved by the state in which they operate, and certified by the Department of Education that they are administratively and financially responsible institutions. [21]

Getty Images/Bloomberg News/Jonathan Elmer

An academic counselor advises a Navy enlisted man at Camp Lejeune, North Carolina. Career colleges have wide appeal for military service personnel, but some have complained they were misled about the education they would receive.

Arnold Mitchem, president of the Council for Opportunity in Education, a nonprofit group that helps low-income students enter and graduate from college, says many of the guidance counselors with whom his organization works no longer recommend for-profit schools to their students.

"Enough students they had counseled had come back and said they were not getting the education that had been promised and that they needed to get a job," says Mitchem. He also cites the cost of for-profit schools. "One of the things counselors said to me all across the country is that they often saw comparable education at community colleges at radically less cost than at the proprietary schools."

Because no independent data are available to assess student learning, other student outcomes are used as proxies. One metric that stands out is the transfer rate from for-profit schools, which at 18 percent, is less than half that at traditional colleges and universities. [22] The rate is relatively low because students at career colleges often find that traditional schools will not accept their credits.

With a 3.9 grade-point average and an associate degree from Everest College, a multistate for-profit institution, Chelsi Miller was accepted to the University of Utah's pre-med program. But the university would not accept any of her Everest credits. Miller said Everest misled her when it suggested her credits would transfer. "I feel as if I had been sold a college experience from a used-car salesman," said Miller, who has filed a class-action lawsuit accusing Corinthian Colleges, Everest's owner, of fraud. The company disputes the charges. [23]

Everest is accredited by the Accrediting Council for Independent Colleges and Schools, a national body. Most for-profit schools are nationally accredited, but that process historically has been considered less rigorous and prestigious than accreditation from the six regional organizations that accredit most traditional schools. But more proprietary institutions are gaining regional accreditation by offering bachelor's and graduate degree programs or by purchasing regionally accredited nonprofit schools.

The problem for students like Miller is that many traditional colleges and universities won't accept credits from nationally accredited schools. "Often those courses are found lacking in some way or another," said Suzanne Wayment, associate director of admissions at the University of Utah. For instance, she said, an algebra textbook used by a nationally accredited school may be at an introductory level, while the university requires a more advanced text. [24]

"My experience is that they [traditional schools] don't even look at the coursework," says McComis of the Accrediting Commission of Career Schools and Colleges, a national organization. He says a blanket policy of rejecting credits from nationally accredited schools is improper. "The level of scrutiny that we put our degrees through is equal to what you would find at most colleges and universities out there," says McComis.

Besides transfer rates, another yardstick used to judge educational quality is the number of students who graduate. There the picture for career colleges is mixed, according to recently released data.

Students enrolled at for-profit two-year colleges graduated with associate degrees at a higher rate than students at community colleges, but at four-year schools they did much worse. Only 16 percent of students at for-profit institutions got a bachelor's degree within six years, compared with roughly 60 percent at traditional schools. [25]

Miller of the Association of Private Sector Colleges and Universities says that's not a fair comparison. It doesn't reflect the fact that for-profit schools serve students who are more at risk of dropping out because, for instance, they come from low-income backgrounds and often work full time or are single parents, he says. "In four-year programs we do dramatically better when you look at traditional schools with similar demographics, of which there are relatively few," says Miller.

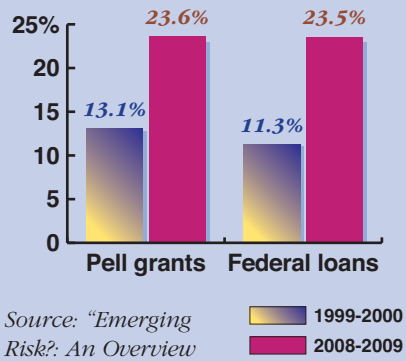
"What we found in our research is that that is not the case," says Mamie Lynch, a policy analyst at the Education Trust, an advocacy and research organization in Washington. "When we compare similar institutions with similar admissions policies and similar students, the for-profits have lower graduation rates than the public and nonprofits do," she says. For instance, at schools where 34 to 66 percent of incoming freshmen have income low enough to qualify for federal Pell grants, 21 percent of students at for-profit four-year colleges graduate within six years. But at private nonprofit and public colleges, 45 percent and 41 percent graduate, respectively. [26]

Yet, no matter what type of college or university is scrutinized, none is graduating a large majority of its students. "If we want to a have a conversation about outcomes, then let's talk about higher education writ larger," says McComis. "To single out one particular sector is not necessarily helpful to that conversation."

Career Colleges Getting More Federal Loans

The share of Pell grants and other federal student aid awarded to for-profit colleges has significantly increased over the past decade — more than doubling for federal loans and jumping 80 percent for Pell grants. For-profit schools are not only enrolling more students but are receiving more federal money per student.

For-profit Colleges' Share of Pell Grants and Federal Loans, 1999-2009



Source: "Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," Senate Health, Education, Labor and Pensions Committee, June 2010

Should the government restrict student aid to career and trade schools?

Any day now the Department of Education could release the much-anticipated final version of a regulation that would restrict federal student aid at career colleges and trade schools. "While career colleges play a vital role in training our work force to be globally competitive, some of them are saddling students with debt they cannot afford in exchange for degrees and certificates they cannot use," Education Secretary Duncan said when the department first proposed the gainful-employment rule last July. [27]

The department was scheduled to publish the final rule last October, but furious lobbying by the for-profit sector caused it to reconsider. "Through this proposed regulation, the department will be making law that shuts out the very students who have the most to gain through their access to the programs offered by career colleges," said Washington lawyer Lanny Davis, spokesman for the Coalition for Educational Success, a group representing career colleges. [28]

To qualify for federal student aid, the Higher Education Act for decades has required that career colleges and

vocational-training programs prepare students for gainful employment in recognized occupations. But gainful employment has never been defined. Now the department is attempting to do just that and has ignited a contentious debate.

The proposed rule is complicated. A program would be fully eligible for federal student aid if at least 45 percent of its former students — whether graduates or dropouts — are repaying the principal on their federal student loans. Even if a program's repayment rate is lower than that, it could still be eligible if its graduates have a debt-to-earnings ratio of less than 20 percent of discretionary income or 8 percent of total income. (Discretionary income is defined as income above 150 percent of the poverty level.)

A program would be ineligible for student financial aid if its repayment rate is less than 35 percent and its graduates have a debt-to-earnings ratio above 30 percent of discretionary income and 12 percent of total income.

Programs between these two poles would be on a restricted list. They could still enroll students with federal financial aid but would not be able to expand, and they would have to warn students about the high debt burdens they are likely to carry in relation to the salaries they are likely to earn. [29]

The industry says the consequences for the students it serves would be enormous. An industry-commissioned analysis estimates that between 1 and 2 million fewer students would enter postsecondary schooling over the next 10 years as a result of the rule. [30]

The Department of Education disagrees. It estimates that the vast majority of students at for-profit schools that could be deemed ineligible would be able to transfer to another program or school. Future students would attend the remaining eligible schools. [31]

Loan Defaults Highest at Career Colleges

More than 20 percent of the students at for-profit schools defaulted on their loans three years after leaving school — a far higher level than for students at public or non-profit schools. Default levels for career college students two years after leaving school were also substantially higher than public or private nonprofit schools.

Federal Loan Default Rates by Type of School

Type of School	Two years after leaving school	Three years after leaving school
Public	6.0%	9.7%
Nonprofit	4.0%	6.5%
For-profit	11.6%	21.2%

Source: "Higher Education Reform Forum," Institute for College Access and Success, October 2010

Jonathan Guryan, a professor of human development and social policy at Northwestern University in Chicago, says the department is much too optimistic. Guryan researched and wrote the industry study and says only a quarter of affected students have reasonable alternatives. "That's partially because many community colleges are at capacity and partially because there are not other for-profits nearby with similar programs," he says.

But Pauline Abernathy, vice president of the nonprofit Institute for College Access and Success in Oakland, Calif., says the remaining for-profit schools will fill the void. "The industry has demonstrated it can and will rapidly expand capacity," says Abernathy. "Keep in mind also that at least seven of the 14 publicly traded colleges have more than 50 percent of their students in exclusively online curriculums, so proximity and physical space are not necessarily even issues."

Guryan, however, says such expansion may not make sense. "It's hard to imagine that for-profit schools would create new programs to serve those students," he says. "Presumably they would be worried that their programs would fail, too." After all, a closed program would be ineligible "at least in part because of the characteristics and choices of the students it served," according to Guryan. [32]

But critics of the industry say poor results for schools that serve at-risk students are not inevitable and that schools could raise repayment rates and lower debt levels for their students more than the industry assumes is possible.

For instance, a recent study analyzed the experience of a small group of historically black colleges and universities in Texas, which 11 years ago faced critically high student-loan default rates. Over three years, the schools managed to more than halve default rates by improving student retention and graduation, offering better loan counseling, partnering with outside financial-aid experts and improving financial-aid packaging. [33]

The for-profit higher education sector's objections to the proposed gainful employment rule go beyond the rule's projected unintended consequences. The industry also says the caps on debt-to-earnings ratios are

arbitrary; the process for devising the rule was biased; and the statutory authority of the Department of Education to make such a sweeping change is nonexistent.

"They simply were unwilling to let this proposal go through the sunshine of a legislative debate," says Miller of the Association of Private Sector Colleges and Universities. When asked if a lawsuit is possible, Miller says, "All options are on the table."

While the industry is hoping the department withdraws the gainful employment rule or makes significant changes, groups like Abernathy's are hoping the department makes it stronger. For example, programs that are restricted can remain so indefinitely, and simply not allowing them to grow is not much punishment, says Abernathy.

"Some of these schools went through such rapid growth earlier that limiting the number of students to the level of the year before would still be an enormous number of students."

A few for-profit companies have already taken action to improve student outcomes. Kaplan is allowing students to enroll in classes for several weeks to test out a program and withdraw during that time without any tuition obligation. And the University of Phoenix is requiring students who enter with fewer than 24 credits to take a free, three-week, noncredit orientation. ■

http://dayton.kaplancollege.com

An undercover Government Accountability Office investigation at 15 campuses of 12 career colleges found deceptive or questionable recruitment practices at all 15 locations. In response, Kaplan College suspended enrollment at its two campuses visited by the GAO and started retraining its admissions and financial-aid teams and eliminated enrollment-based compensation. Kaplan and a few other for-profit companies also have taken steps to improve student outcomes. Kaplan, for example, lets students enroll in classes for several weeks to test out a program and withdraw during that period without any tuition obligation.

BACKGROUND

Early Trade Schools

While career colleges and universities have seen record growth in the past two decades, they are far from a new development. In fact, their roots extend back to colonial times.

The first college planned for the colonies, the College at Henrico, was a corporate venture proposed in 1617 "as part of a revenue-generating scheme for the cash-strapped Virginia Company," although it never enrolled any students. [34]

It didn't take long for others to be established. As the colonies expanded and commerce grew, merchants demanded that employees know subjects such as navigation, surveying and accounting, which traditional colleges did not teach. So entrepreneurs established for-profit schools to meet the demand. [35]

For-profits responded to demand from all sectors of the economy. By the mid-1800s, "a host of successful for-profit agricultural schools sprang up" to satisfy farmers' desire for courses in the "rapidly developing science of agriculture." [36] Proprietary schools also offered training in teaching, medicine, law and accounting. [37]

The most direct antecedents to the for-profit sector of today were the private business colleges of the 19th century, wrote Kinser. Established by entrepreneurs, these schools taught penmanship, arithmetic and bookkeeping. By the early 1850s, as many as 20 such schools were in operation, mainly in the East but also in New Orleans and St. Louis. [38] One of them, Duff's Mercantile College in Pittsburgh, is the oldest private career school in continual operation in the United States, although today it is a branch of the Everest Institute. [39]

Over the next 40 years, the growth of for-profit business schools was "remarkable," and they "held a virtual monopoly on business education," according to Kinser. By 1890, at least 250 for-profit business schools were operating, enrolling more than 81,000 students, a little more than half of the enrollment at the country's traditional colleges and universities. "The for-profit business college of this time was clearly a significant institutional presence," Kinser wrote. [40]

But the environment changed in the early 20th century as public and nonprofit universities "grew in scale and scope, offering both general education and specific technical training." [41]

Continued on p. 12

Chronology

1800s *For-profit business colleges flourish*

1841
Duff Mercantile College established in Pittsburgh.

1850
At least 20 for-profit business schools teach penmanship, arithmetic and bookkeeping.

1890
At least 250 for-profit business schools operating enroll more than half the number of students attending traditional colleges.

1900s-1970s
Criticism of trade schools diminishes as they receive access to federal student aid; University of Phoenix is founded.

1910
Flexner Report castigates for-profit medical schools.

1931
Inventor Dr. Herman DeVry establishes DeForest Training School to prepare students for technical work in electronics, motion pictures, radio and later, television; renamed DeVry Technical Institute in 1953.

1944
GI Bill lets for-profit schools enroll veterans using federal tuition aid.

1965
Landmark Higher Education Act increases access to college for low-income students.

1972
Reauthorized Higher Education Act (HEA) allows federal tuition subsidies, like Pell grants, to be used by students at for-profit institutions.

1976
U.S. professor John Sperling founds University of Phoenix.

1990s *Congress tightens regulations; number of for-profit colleges offering online courses grows.*

1991
Senate Permanent Subcommittee on Investigations releases highly critical report on federal student-aid program and for-profit career schools. . . . DeVry Inc. offers stock to the public.

1992
Congress reauthorizes HEA, banning incentive payments to admissions officers based on enrollment, limiting to 85 percent the amount of revenue for-profits can get from federal student aid and excluding from student aid schools with more than 50 percent of courses online.

1993
Number of for-profit schools approved by key accrediting agency drops more than 20 percent over three years.

1994
Apollo Group, parent of University of Phoenix, goes public.

1998
Congress raises to 90 percent the amount of revenue for-profits can get from federal student aid.

2000s-Present
For-profit regulations are loosened by George W. Bush administration, then tightened by Obama administration.

2002
Department of Education creates "safe harbors," exceptions to HEA that allow colleges to pay recruiters bonuses based on success in enrolling students.

2005
Congress repeals "50 percent rule," allowing schools to have an unlimited number of students and courses online and still be eligible to participate in federal student-aid programs. . . . For-profit Bridgepoint Education buys small religious college, transforms it into online university with tens of thousands of students.

2008
Enrollment at for-profit schools climbs from under 600,000 to nearly 1.8 million in 10 years.

2009
In 10 years Congress almost triples the amount of money allocated to Pell grants, and the number of grant recipients nearly doubles; percentage of Pell grant funding going to for-profit schools nearly doubles as well.

2010
Senate education committee holds three hearings critical of for-profit higher education industry. . . . Undercover federal investigators visit 15 for-profit campuses and find fraud at four and deceptive practices at all 15. . . . Department of Education establishes new student-aid rules to protect borrowers and taxpayers, and delays final "gainful employment" rule that could reduce the number of for-profit programs able to enroll students with federal financial aid. . . . Florida attorney general investigates eight for-profit schools.

Overhaul of Accreditation System Sought

"Schools are a little afraid of measuring outcomes because the results . . . may be unfavorable."

Richard Vedder is a distinguished professor of economics at Ohio University and was a member of a government commission that in 2006 called for a major overhaul of higher education accreditation. He is also director of the Center for College Affordability and Productivity in Washington, D.C., a nonprofit research center that recently released a report critical of the current system of accreditation. CQ Researcher *author Barbara Mantel interviewed Professor Vedder.*

CQ: Students who receive federal loans and grants must attend an accredited college or university, whether for-profit, not-for-profit or public, because the federal government wants to assure quality. Do the various private accrediting bodies do a good job assuring the quality of the education offered in the United States?

RV: *I don't think they do a terribly good job. Not all accrediting agencies are equal, but on the whole, I don't know of a major institution that has ever lost accreditation or come close to losing accreditation because of the poor quality of the graduates or deficiencies in instruction. There have been minor exceptions to this among small institutions.*

CQ: You say one of the problems with accreditation is that it relies on colleges self-reporting, and the reporting is secret.

RV: *Colleges fill out questionnaires and write reports, and an accreditation team will come in and look around. And the final reports from the accrediting agencies are largely confidential. What good is the accreditation report if it is not public? All the public knows is if the school is accredited or not. They don't know any of the details.*

CQ: How do accrediting bodies measure the quality of education at, say, the University of Phoenix or Harvard?

RV: *They look at inputs, things like the percentage of faculty who have Ph.Ds, the number of books in the library, the teaching loads of faculty.*

CQ: You're critical of that method. Don't these measures tell us something about the quality of the education?

RV: *I couldn't care less how many books are in the library. First of all, how many students read books in libraries anymore? I'm not saying that inputs are irrelevant, and one thing that is nice about inputs is that they are easy to measure. But outcomes — how much students know, for instance — can be measured. And it's outcomes that we care about.*

CQ: So why aren't outcomes measured?

RV: *I think schools are a little afraid of measuring outcomes because the results sometimes may be unfavorable to them and could hurt them in terms of their reputation and accreditation. Since no one is forcing them to measure outcomes, they stay away from things that may impose some risk. The accreditors are the natural people to enforce this, and I think they are generally negligent in this.*

Continued from p. 10

For the first time, for-profit programs had significant competition. In addition, the quality of course work came under attack.

In 1910, Abraham Flexner, a researcher at the Carnegie Foundation for the Advancement of Teaching, issued a report skewering U.S. medical schools, many of which were for-profit institutions. "Flexner criticized these schools as a loose and lax apprenticeship system that lacked defined standards or goals beyond the generation of financial gain," according to Medicine.Net.com. Many medical schools closed or were reformed as a result, and historians view the report as a watershed event for medical education. [42] It also led to calls for greater regulation and oversight of the entire proprietary sector. [43]

Government Money

World War II and the GI Bill, which provided education benefits to veterans, marked a turning point for the proprietary sector. Previously, federal legislation had focused on supporting public education and "treated the for-profit sector as an afterthought," according to Kinser, and the first drafts of the GI Bill did the same. But after considerable congressional debate, the final legislation in 1944 allowed for-profit institutions to became eligible to participate fully in the veterans' benefits. [44]

Veterans took advantage of the bill in unprecedented numbers. To ensure that the funds were spent on quality programs without dictating educational content, the federal government turned to existing private accrediting agencies, which set quality standards for their members. It made a list of agencies it recognized as reliable, whose member schools could participate in the GI Bill.

"Otherwise, the problem of 'fly-by-night' schools would simply be transferred to 'fly-by-night' accreditors," wrote Mark Pelish, executive vice president of legislative and regulatory affairs at the for-profit Corinthian Colleges. According to Pelish, this created tension between accreditors and the government that continues to this day: "Institutional autonomy, on the one hand, and government demands for accountability for effective use of taxpayer funds, on the other, are competing, if not wholly inconsistent, concepts," he wrote. [45]

In 1972, Congress reauthorized the

Courtesy Richard Vedder

Prof. Richard Vedder, Director, Center for College Affordability and Productivity.

CQ: What measures of outcomes should accrediting bodies use to assure quality, then?

RV: *Accreditors do look at dropout rates and how long it takes to graduate. Those are OK measures, but let me mention three or four more that I think are important. First, do the seniors who graduate know more than they did as freshmen? Second, are graduates succeeding in their post-graduate life? Do they succeed in graduate school, do they succeed financially? Third, are your graduates better critical thinkers than when they entered college?*

CQ: Compared to measuring the number of books in the library, measuring such outcomes seems extraordinarily difficult.

RV: *There are tests out there. For instance, we give CPA [Certified Public Accountant] exams at the occupational level. Why can't we systemize this? Why can't the accrediting agencies get together as a group and insist on this [and] perhaps create a national commission to decide on this? Nothing is perfect, but it would be a step in the right direction.*

CQ: Given the differences in the student populations at each school, is it fair to judge educational quality with tests like this at graduation?

RV: *You do have to take into account the knowledge and abilities of students coming in. You have to measure the value added at the institution, so you might have to test students at the beginning and end. And that's no big deal. We test them in the beginning anyway. Most have to take an SAT test.*

CQ: What are the chances that standardized tests in different disciplines to measure what graduates have learned would actually be adopted?

RV: *It's fiercely resisted by the universities. But I think there is growing pressure for something like this to happen. I wouldn't rule it out. I think in five years or so, it will be politically feasible.*

Higher Education Act, which "solidified the federal government's commitment to student choice in post-secondary education, with obvious benefits to the for-profit sector," wrote Kinser. [46] The act significantly increased the amount and types of student aid available, including Pell grants, and made several types of for-profit schools and their students eligible to receive it. As a result, "mom-and-pop" schools offering vocational training in fields such as truck driving and cosmetology proliferated. [47]

Scandal

"The opening of federal aid to for-profit higher education was not a smooth transition," wrote Kinser, and "scandal, fraud, and abuse dogged the sector." Government investigations in the wake of the GI Bill resulted in the closure of many fraudulent institutions in the 1950s, while large numbers of correspondence schools closed in the '60s and '70s. "Investigations of student loan abuse of the for-profit sector reached its height in the late 1980s," according to Kinser, "and again large numbers of for-profit schools did not survive the scrutiny." [48]

Sen. Sam Nunn, D-Ga., chairman of the Senate Permanent Subcommittee on Investigations, held a series of hearings beginning in 1989 that culminated in a 1991 report. The subcommittee found that the federal guaranteed student loan program was "plagued by fraud and abuse at every level" and had become "inefficient, ineffective, and far too costly." While expanding Americans' access to higher education, the program had "failed, particularly in the area of proprietary schools, to insure that federal dollars are providing quality, and not merely quantity, in education."

As a result, taxpayers suffer, and students, "victimized by unscrupulous profiteers and their fraudulent schools," receive "neither the training nor the skills they hoped to acquire," and, instead, are burdened with "debts they cannot repay." The subcommittee blamed everyone involved in oversight: the states, which license schools, the private agencies that accredit them, and the Department of Education, which manages the student-aid program. The subcommittee called for a comprehensive and intensive effort at reform. [49] One year later, Congress complied.

For-Profit Schools Seek Windfall From Military Benefits

"Congress may have subjected veterans to the worst excesses of the for-profit industry."

Veterans and active-duty soldiers have been celebrating a bill passed by Congress in 2008 that provides military personnel with expanded educational benefits, but for-profit schools, known as career colleges, have been reaping some of the measure's biggest rewards.

The post-9/11 GI Bill is aimed at giving those serving in Iraq and Afghanistan the same leg up as previous generations of military personnel. It makes almost all service members eligible to receive up to three years of benefits at an average of $458 per credit hour and allows them to transfer unused benefits to spouses and children.

But in the year since payouts began in July 2009, career colleges have grabbed an outsize share of the funds. Of the $1.75 billion in benefits paid, $640 million, or 36.5 percent, has gone to for-profit schools despite their enrolling only 23.3 percent of military beneficiaries and 11 percent of all higher education students. [1] The companies whose schools received the most money were ITT Educational Services ($79 million), the Apollo Group ($76 million), Education Management Corp. ($60 million), Career Education Corp. ($58 million), and DeVry Inc. ($48 million). [2]

Now a Senate committee report issued in December has raised serious questions about the flow of money to for-profit schools. "Congress may have unintentionally subjected this new generation of veterans to the worst excesses of the for-profit industry: manipulative and misleading marketing campaigns, educational programs far more expensive than comparable public or nonprofit programs, and a lack of needed services," said the report, issued by the Health, Education, Labor and Pensions Committee. [3]

Four of the five for-profit companies receiving the most post-9/11 GI Bill funding, according to the committee report, have loan repayment rates of only 31 to 37 percent. The same four have at least one campus with a student default rate above 24 percent over three years. [4]

Critics of the industry also point out that course credits are sometimes not transferable to traditional schools, and employers are sometimes skeptical about the value of online degrees.

Service members and their educational benefits appeal to for-profit schools for several reasons. The funds are not loans that have to be repaid, so they help improve the records of for-profit schools worried about high student-loan default rates. In addition, the money can help for-profit schools escape a key regulation — the so-called "90/10" rule — that requires that no more than 90 percent of a school's revenues come from federal financial aid authorized under Title IV of the Higher Education Act. Because the military educational benefits are not Title IV money, they are effectively not considered federal student aid.

Veterans interviewed by committee staff "tell compelling stories of being misled by recruiters," the report said. One veteran enrolled in an associate degree program at a for-profit school after being told he could finish in less than two years and then transfer to a traditional college for a bachelor's degree. But after

New Regulation

In 1992, Congress reauthorized the Higher Education Act, strengthening the Department of Education's oversight of the federal student-aid program.

Amendments to the act:

- Banned schools participating in the program from making incentive payments, including commissions and bonuses, to individuals based on their success in enrolling students or securing financial aid for them; [50]
- Required that for-profit schools receive no more than 85 percent of their revenue from federal student-aid programs (in 1998, Congress raised the limit to 90 percent); [51]
- Excluded from the student-aid programs schools with half or more of their curricula in correspondent courses;
- Excluded schools that had filed for bankruptcy; and
- Required accreditors of vocational education institutions to create standards of student achievement as measured by program completion, job placement and state licensure examination pass rates. [52]

The impact was immediate. Expelled from the federal student financial aid programs, many for-profits were no longer viable businesses, lost their accreditation and shut their doors. For example, the number of schools accredited by the National Association of Trade and Technical Schools (NATTS) dropped from 1,257 in 1990 to 968 in 1993. That year, the Accrediting Commission of Career Schools and Colleges of Technology succeeded NATTS; it was independent of any trade association activities. [53]

Wall Street Era

The for-profit higher education sector was "reborn" in the 1980s and '90s, according to Sarah Turner, a professor of economics and education at the University of Virginia. During that time, a new breed of "corporate" for-profit institutions emerged, including the University of Phoenix and ITT Tech, "operating with the institutional controls of large corporations," wrote Turner. [54]

The development of the World Wide Web for commercial purposes allowed these universities and schools

using $25,000 in GI Bill benefits supplemented with $22,000 in loans and his own money, he was told by the local community college that it would not accept his academic credits. [5]

But the Association of Private Sector Colleges and Universities, a trade group for for-profit schools, said the Senate committee report is looking at the issue "from the wrong side of the telescope." According to the association's president, Harris Miller, the ability of for-profit schools to expand capacity to take in members of the armed forces and its veterans is "a testament to our sector's dedication to educating those who have chosen service to our country." [6]

The association offered its own anecdotes, including that of Marine Corps veteran Will Sampson, a graduate of ECPI College of Technology and currently the chief information officer of a bank. "Without the choice of a school with flexible hours, I would have missed out on a great education and on the opportunities which led to my current career," Sampson said. [7]

Robert Songer, a retired Marine colonel and lead education adviser at Camp Lejeune in North Carolina, told *The New York Times* that he is not opposed to for-profit schools but said that some of them hounded active-duty personnel and often enrolled Marines in classes of limited educational value. The soldiers "are very easy targets, especially because many of them have never had anyone in their families go to college," Songer said. [8]

The Department of Defense and the Department of Veterans Affairs are tightening their oversight of military educational benefits. They are scrutinizing dropout rates and will soon demand that colleges receiving such funds maintain minimum graduation rates. [9]

Still, Sen. Thomas Carper, D-Del., has asked the Government Accountability Office, Congress' investigative agency, to examine the Defense Department's ability to guard against waste of educational benefits and ensure that taxpayer money is buying quality education for military personnel. [10]

— Barbara Mantel

---

[1] "Benefiting Whom? For-Profit Education Companies and the Growth of Military Educational Benefits," U.S. Senate Health, Education, Labor and Pensions Committee, Dec. 8, 2010, p. 4, www.nacacnet.org/LegislativeAction/LegislativeNews/Documents/HELPMilEdReport.PDF.

[2] *Ibid.*, pp. 19-20.

[3] *Ibid.*, p. 1.

[4] *Ibid.*, p. 2.

[5] *Ibid.*, p. 9.

[6] "APSCU Criticizes HELP Committee Report on Military Students," Association of Private Sector Colleges and Universities, Dec. 9, 2010, www.apscunow.com/2010/12/apscu-criticizes-help-committee-report.html.

[7] *Ibid.*

[8] Eric Lipton, "Profits and Scrutiny for Colleges Courting Veterans," *The New York Times*, Dec. 8, 2010, www.nytimes.com/2010/12/09/education/09colleges.html.

[9] *Ibid.*

[10] John Lauerman, "For-Profit Colleges Scam Military for $521 Million, Report Says," Bloomberg, Dec. 9, 2010, www.bloomberg.com/news/2010-12-09/for-profit-colleges-scam-military-for-521-million-senate-com.

to expand into multi-state institutions offering bachelor's and graduate degrees increasingly online. For-profit higher education moved from Main Street to Wall Street, wrote Kinser, although plenty of individually run operations remain. [55] The Apollo Group, University of Phoenix's parent company, went public in 1994, its stock trading on the NASDAQ exchange. DeVry Inc., the parent company of DeVry Institutes of Technology, went public in 1991.

Enrollment at for-profit higher-learning institutions has grown steadily over the past two decades, from slightly more than 300,000 students in 1986 to about 2 million today, for about an 11 percent market share. [56] Some of the most rapid growth has occurred since 2002, when the regulatory environment under the Bush administration became much friendlier for career colleges and universities.

In November 2002, the Department of Education published regulations that allowed 12 exceptions — or safe harbors — to the statutory prohibition against incentive compensation. Perhaps the most important exception was one allowing adjustments to employee compensation that are not based "solely" on the number of students recruited, enrolled or awarded financial aid. [57] In other words, incentive payments could now be paid based partially, even mostly, on enrollment figures or procurement of financial aid.

In addition, according to the GAO, the Department of Education changed its enforcement policy in 2002, and, as a result, "it became more difficult for [the Department of] Education to prove a school violated the incentive compensation ban, and schools ultimately paid smaller penalties." [58]

In 2005, Congress repealed the "50 percent rule," and schools no longer were limited to offering half or fewer of their courses online and having half or fewer of their students enrolled as distance learners. As a result, the trend toward online education at for-profit schools has accelerated.

According to a Senate committee report, out of the 14 publicly traded for-profit schools, four have more than 98 percent of their students enrolled as online learners, while three have more than 50 percent of their students in exclusively online curricula. Some for-profit companies have

grown their online businesses by purchasing "small regionally accredited bricks-and-mortar schools" and transforming them into "huge entities with primarily virtual curricula, while also avoiding the time and cost of earning regional accreditation," according to the report. [59]

With the rapid growth in the for-profit industry and its growing share of federal student aid, the Obama administration and Congress have once again begun to scrutinize the sector. In 2010, the Senate hearings, the GAO undercover investigation and new Department of Education regulations, including elimination of the 12 safe harbors, have put the proprietary higher education sector on the defensive. Enrollment of new students has shrunk, stock prices have fallen and the industry is in the process of adjusting to a new regulatory and political environment. ■

Getty Image/Bill Pugliano

President Obama announces his plan to spend $12 billion over the next decade improving the nation's burgeoning community colleges, during a visit to Macomb Community College in Warren, Mich., on July 14, 2009. Many high school guidance counselors say community colleges provide comparable education at significantly lower cost than for-profit schools.

CURRENT SITUATION

Shareholder Lawsuits

Investors reacted swiftly to the GAO's August report on its undercover investigation.

"In the days following the report, the market capitalization of publicly traded for-profit colleges declined 13.8 percent, representing a $4.3 billion loss in the value of the sector," according to the Coalition for Educational Success. [60]

Davis, the coalition spokesman and a former aide to President Bill Clinton, has called for the GAO to withdraw the report, which he calls "defective and deceptive," after the agency made 16 revisions in December, some of which softened the appearance of wrongdoing among for-profit admissions officers.

And in late December, six House Republicans asked the GAO to reexamine the report. The group includes U.S. Rep. John Kline, R-Minn., who will become chairman of the House Committee on Education and Labor this month. [61] For now, however, the GAO is sticking by the report's overall conclusions and its findings of financial fraud at four institutions and deceptive or questionable recruiting practices at all 15 campuses it visited.

Not only have stock prices slid, but several law firms have begun investigating for-profit companies, and several class-action lawsuits have since been filed in which the GAO report is referenced.

For instance, an investor in Capella Education Co. has alleged that between mid-February and mid-August 2010, Capella failed to disclose that it engaged in "improper and deceptive recruiting and financial aid lending practices and, due to the government's scrutiny into the for-profit education sector, the company would be unable to continue these practices in the future." [62] Similar shareholder suits have been filed against the Washington Post Co., owner of Kaplan, as well as against Corinthian Colleges, Education Management and the Apollo Group, owner of the University of Phoenix.

Shareholders in these suits include individuals — sometimes the same individuals — as well as institutions. For instance, Great Britain's Mineworkers' Pension Scheme, the Amalgamated Bank and the Oregon Public Employees Retirement Fund are suing Apollo and were appointed the lead plaintiffs in a consolidated class-action lawsuit in November. [63] A motion

Continued on p. 18

At Issue:

Would the gainful employment rule harm low-income students?

HARRY C. ALFORD
CO-FOUNDER, PRESIDENT/CEO, NATIONAL BLACK CHAMBER OF COMMERCE

WRITTEN FOR *CQ RESEARCHER*, JANUARY 2011

YES

It is no secret that the recession has been especially difficult for black Americans. The latest figures from the U.S. Department of Labor show that while unemployment among whites is about 8.8 percent, that number is nearly double for blacks, hovering at around 15.8 percent.

The approach to black unemployment that could have the most significant impact is getting a college degree. That appears to be the ticket to greater quality of life and economic success. A degree can be the great equalizer.

Unfortunately, the Department of Education's proposed gainful employment rule will disproportionately harm low-income and minority populations by discriminating against students who must borrow tuition to attend career colleges. Without financial aid, access to higher education will be limited for thousands of such students.

The numbers tell the tale. Over 50 percent of students attending career-oriented colleges are minority students, compared to approximately 34 percent at public four-year institutions and 32 percent at private, not-for-profit schools.

Because of the income gap, minority students need greater financial aid than their white counterparts. This isn't a giveaway. This is the most basic investment in our most important natural resource: our young students.

Recent news stories and hearings on Capitol Hill have unfairly criticized career colleges. But with community colleges underfunded and overflowing, career colleges are providing a unique and important opportunity for minority students who may not have other options. To make matters worse, the data being relied on by the opposition aren't fully accurate. The federal Government Accountability Office was recently forced to correct a study prepared for an August Senate hearing that contained incorrect and biased information on for-profit recruiting practices.

Career colleges offer everything from certificates of completion to Ph.D. degrees that are accredited by the same agencies as not-for-profit colleges and universities. They represent a solution to our education challenges, not the problem.

President Obama has said he wants the United States to have the highest percentage of college graduates in the world by 2020. This is an admirable goal, and we share his vision. But taking away financial aid and the opportunity to train for a secure future is not the right strategy.

Private-sector schools are helping to put people to work — and their efforts should be recognized by allowing students at these schools to receive the financial aid they so rightly deserve.

MICHELLE ASHA COOPER, PH.D.
PRESIDENT, INSTITUTE FOR HIGHER EDUCATION POLICY

WRITTEN FOR *CQ RESEARCHER*, JANUARY 2011

NO

The Obama administration has proposed regulations that require career education programs to "prepare students for gainful employment in a recognized occupation" or risk losing access to federal student aid. The regulations target programs at for-profit institutions and vocational schools — one of the fastest-growing sectors among higher-education institutions. In addition to increased enrollment growth, students at for-profit institutions, in particular, represent 26 percent of student loan volume and 43 percent of all loan defaulters.

From a student perspective, these regulations will likely be beneficial, as they would provide information that would enable them to be more informed consumers. Given the cost of an education, students should have an understanding of the educational quality, career outcomes and debt levels associated with programs of study at particular institutions. Such information could balance or even counter aggressive or misleading recruiting practices employed by some institutions.

Although the gainful employment provisions seem quite appropriate and logical, they have received sharp criticism. Opponents have argued that they will deny students access to higher education because they unfairly regulate a sector of higher education that enrolls large proportions of students from low-income and minority backgrounds. Given the attractiveness of these programs to these communities, we need to be even more vigilant in our efforts to ensure that these students make informed decisions about their education, assume reasonable levels of student debt and ultimately graduate with degrees and credentials that have real labor market value.

On Feb. 24, 2009, President Obama declared that "by 2020 America will once again have the highest proportion of college graduates in the world." To reach this goal, a number of reforms will be needed, and the gainful employment provision is simply an attempt to ensure that higher education remains accountable, affordable and effective in serving all students, particularly those who are most vulnerable.

As we think about these provisions and others to come, we must place students and their interests at the center. We must recognize that, for students interested in specific, career-oriented fields, it is unethical to encourage and persuade them to enroll, matriculate and pay for an education of limited value — this is true for career-education programs in both the for-profit and nonprofit sectors. By centralizing the needs of students — instead of institutions — we will come much closer to an ideal higher-education system, one that achieves quality and increases degree completion.

Continued from p. 16

filed by Oregon's attorney general claims that Apollo "concocted a scheme to fraudulently inflate revenues and boost profitability by exploiting well-intentioned and often lower-income students." [64]

"Companies that cook their books will have to answer to Oregon in court," said Attorney General John Kroger. [65]

"Apollo Group takes its disclosure obligations very seriously and intends to defend this lawsuit vigorously," according to the company.

Student, Whistleblower Suits

Former students and employees have also filed complaints, in California, Colorado, Texas, Arkansas, Wisconsin and Utah. Westwood College, which has a total of roughly 40,000 graduates and current students taking courses online or at campuses in six states, is facing four class-action lawsuits, all brought by Jillian Estes.

"More than 1,000 students have contacted us concerning problems with Westwood," says Estes, "and that number is growing every day." The most common complaint, she says, is the inability to transfer credits. "Students tell us that the school has told them that they can transfer anywhere with these credits, but when they try to use their credits, they realize that isn't the case."

Westwood is accredited by two national bodies, although one, the Accrediting Commission of Career Schools and Colleges, placed Westwood's Denver North campus on probation last August. Many regionally accredited schools will not accept credits from schools that are nationally accredited.

The next most common complaints, says Estes, are misrepresentation of job prospects and potential salaries and misinformation about the cost of education programs.

"I think there is so much potential for conflict when you mix profit and education," says Estes. "Profit is winning over education as a priority."

In mid-December, the Colorado Commission of Higher Education voted 7-3 to place Westwood College's Colorado campuses on probation with the state's regulatory agency, and Texas and Wisconsin officials have ordered Westwood to close its online operations in their states. Texas regulators say they intend to close the school's ground campuses as well. [66]

Westwood has sued Estes' law firm, calling it "predatory" and alleging that it has defamed the school through a website and derogatory Twitter messages.

Kaplan University is facing a lawsuit from three former employees — a former course developer, former professor and former dean. They allege that Kaplan ran high-pressure "boiler room" call centers to recruit students, encouraged students to take out more debt than was needed to cover college costs, and pressured professors to inflate grades or risk losing their jobs.

Kaplan denies the allegations "in their entirety," according to a spokesperson, "and we are awaiting a decision on our motion to dismiss it." Kaplan calls the three former disgruntled employees "serial plaintiffs" whose allegations have been dismissed in court in the past.

State Investigations

Florida Attorney General Bill McCollum began an investigation last fall into eight for-profit schools for possible misrepresentation about financial aid, graduation rates and job prospects and for alleged unfair or deceptive recruitment and enrollment practices. The schools include University of Phoenix, Argosy University, Everest Institute, Kaplan Inc., MedVance Institute, Keiser University, Sanford Brown College and Concorde Career College.

According to Shannon Knowles, a spokesperson for the attorney general, the most complaints are against Kaplan, at 52; Everest, 56; and University of Phoenix, 20. "To date, subpoenas have been served and the investigations are ongoing," says Knowles.

Apollo Group, the owner of the University of Phoenix, has said in response to the Florida investigation that it supports efforts to enhance accountability within higher education and will continue to be a leader in improving student outcomes. Kaplan says it intends to cooperate fully with the Florida inquiry as does Corinthian Colleges, the parent of Everest Institute. "We don't have anything to hide," said Kent Jenkins, a Corinthian spokesman. "Anytime someone wants to come and look at our records, we'll open them up." [67]

Kentucky Attorney General Jack Conway has also opened an investigation. Conway issued subpoenas to six unidentified for-profit colleges, seeking information about student-loan default rates, advertising claims, recruitment practices and claims about job placement and transferability of credits. "The information we've obtained so far about the business practices employed by some of these proprietary colleges is troubling," Conway said in a statement. [68]

The Next Congress

For-profit schools are hoping to get regulatory relief from the incoming Congress, including the new Republican-dominated House of Representatives. Rep. Kline has criticized the Education Department's proposed gainful-employment rule that could take effect in July 2012, saying it hinders an industry that is working well.

"At the very least, you need to push this thing back," Rep. Kline said in December. The rule, he said, has been getting "an enormous amount of push-back and getting it in a bipartisan way." Kline said at least 80 members of Congress, including Democratic Reps. Alcee Hastings of Florida and Donald Payne and Robert Andrews, both of New Jersey, have voiced their opposition. [69]

But some analysts say the chances are slim that Kline could persuade the Education Department to water down its regulation. And the likelihood that congressional supporters could succeed in restricting funds for enforcing the rule or in passing more industry-friendly gainful employment legislation is remote, according to *The Chronicle of Higher Education*, "given opposition from Senate Democrats and the likelihood of a presidential veto." [70]

At the same time, a Republican House may make it more difficult for Sen. Harkin to push through legislation, as he has promised to do, to force changes in for-profit higher education, such as increasing accountability for accreditors or limiting the amount of federal student-aid for-profits spend on advertising. Harkin might not get support from fellow Democrats either. Many House Democrats, according to *The Chronicle*, "have ties to for-profit colleges in their districts." [71] ■

OUTLOOK

End of an Era?

As for-profit colleges go through a period of abrupt change wrought by new federal regulations, state scrutiny, lawsuits and negative publicity from headline-generating Senate hearings, the industry's recent rapid expansion is ending. After growing 24 percent in 2008 and 18 percent in 2009, student enrollment is expected to increase by a more modest 8 percent annually over the next several years. [72]

To grow, institutions need to attract more new students than are leaving through graduating or dropping out. But Corinthian Colleges, Strayer Education, DeVry and Capella Education are all expecting the number of new enrollees to shrink in 2010. By far the largest decline is expected at the biggest for-profit institution. The Apollo Group expects new enrollment to have dropped 40 percent in the quarter just ended. [73]

New federal regulations that no longer allow colleges to base a portion of an admissions officer's compensation on recruitment won't go into effect until July, but schools have already adapted. "Many institutions are now changing their compensation plans for the admissions staff and no longer are tying bonuses or additional income to the number of students coming in the door," says Kinser of the University at Albany.

Less certain is the impact of the proposed gainful employment rule, which would bar from federal student-aid programs those career schools that graduate students with high debt relative to income and whose former students have low student-loan repayment rates. While many schools are waiting to see what the rule looks like upon its scheduled release early this year, some, like Apollo, have already begun to adjust.

"Apollo made a decision in 2005 to focus on lower-quality students, students who didn't necessarily have many years of experience in higher education," says Ariel Sokol, an analyst at UBS Securities, "and as a result, the quality of the student body was deteriorating by certain metrics, like the default rate on student loans." Faced with these statistics and the potential for stricter regulation, Apollo introduced in November a free three-week orientation for prospective students with fewer than 24 credits in an effort to attract students who will complete its programs and repay their loans.

Kinser says it is possible that in this new environment, the industry may consolidate as larger companies better able to adjust to the new rules take over smaller, less healthy ones. Sokol predicts that some publicly traded companies may go private to reduce scrutiny; a few for-profits may even convert to not-for-profit status; and schools will continue to move away from brick-and-mortar campuses to less costly and more flexible online instruction. [74] ■

Notes

[1] John Lauerman, "For-Profit Colleges Singled Out Unfairly, Republicans Say," Bloomberg, Sept. 30, 2010, www.businessweek.com/news/2010-09-30/for-profit-colleges-singled-out-unfairly-republicans-say.html.

[2] "Senator Enzi: Narrow Focus on For-Profit Hearings Will Not Solve Problems Facing Today's Higher Ed Students," press release, Sept. 30, 2010, http://help.senate.gov/newsroom/press/release/?id=12df9083-663c-44bb-a79f-06b79eceee85.

[3] Lauren Smith, "The Bitter Battle Over For-Profit Colleges," *CQ Weekly*, Nov. 1, 2010.

[4] Tamar Lewin, "Rifts Show at Hearing on For-Profit Colleges," *The New York Times*, Oct. 1, 2010, Section A, p. 15.

[5] "Statement of Chairman Tom Harkin (D-IA) At the HELP Committee Hearing: The Federal Investment in For-Profit Education: Are Students Succeeding?" Sept. 30, 2010, http://harkin.senate.gov/press/release.cfm?i=328052.

[6] "Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," Health, Education, Labor and Pensions Committee, U.S. Senate, June 24, 2010, p. 2, http://harkin.senate.gov/documents/pdf/4c23515814dca.pdf.

[7] James Samford and Ashwin Shirvaikar, "Educational Services Industry Model Update: Online Penetration Accelerates as Total Enrollment Slows Down," *Citi Equities*, Nov. 22, 2010, pp. 4-5.

[8] "Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," *op. cit.*, p. 4.
[9] "The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma," Health, Education, Labor and Pensions Committee, U.S. Senate, Sept. 30, 2010, p. 6, http://help.senate.gov/imo/media/doc/Education%20Report.pdf.
[10] Andy Rosen, "For-Profit Colleges," letter to the editor, *The New York Times*, Nov. 16, 2010, www.nytimes.com/2010/11/17/opinion/l17kaplan.html.
[11] Daniel L. Bennett, *et al.*, "For-Profit Higher Education: Growth, Innovation and Regulation," July 2010, pp. 10,12, www.centerforcollegeaffordability.org/uploads/ForProfit_HigherEd.pdf.
[12] Tamar Lewin, "With Possible Cuts in Federal Aid on the Horizon, For-Profit Colleges Are in a Fight," *The New York Times*, June 6, 2010, Section A, p. 21, www.nytimes.com/2010/06/06/education/06gain.html?_r=1&scp=1&sq=With+Possible+Cuts+in+Federal+Aid+on+the+Horizon&st=nyt.
[13] "Department of Education Establishes New Student Aid Rules to Protect Taxpayers," U.S. Dept. of Education, Oct. 28, 2010, www.ed.gov/news/press-releases/department-education-establishes-new-student-aid-rules-protect-borrowers-and-tax..
[14] Peter S. Goodman, "In Hard Times, Lured Into Trade School and Debt," *The New York Times*, March 13, 2010, http://community.nytimes.com/comments/www.nytimes.com/2010/03/14/business/14schools.html?scp=2&sq=In%20Hard%20Times,%20Lured%20Into%20Trade%20School%20and%20Debt&st=cse.
[15] "Statement of Kathleen S. Tighe, Inspector General, U.S. Department of Education, Before the Committee on Health, Education, Labor, and Pensions, U.S. Senate," June 24, 2010, p. 8, www2.ed.gov/about/offices/list/oig/auditrpts/stmt06242010.pdf.
[16] "For-profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices," GAO, Aug. 4, 2010, www.gao.gov/new.items/d10948t.pdf.
[17] John Lauerman, "For-Proft Colleges Misled Students, Witnesses Say," Bloomberg, Aug 4, 2010, www.bloomberg.com/news/2010-08-04/for-profit-colleges-boiler-room-recruiting-described-at-senate-hearing.html.
[18] Department of Education, www2.ed.gov/policy/highered/guid/secletter/100817.html.
[19] "About University of Phoenix," www.phoenix.edu/about_us/about_university_of_phoenix.html.
[20] Kevin Kinser, *From Main Street to Wall Street: The Transformation of For-Profit Higher Education* (2006), p. 95.
[21] Statement of Kathleen S. Tighe, *op. cit.*, p. 4.
[22] Pauline Abernathy and Debbie Cochrane, "Higher Education Reform Forum — American Enterprise Institute, Oct. 5-6, 2010," The Institute for College Access & Success, Slide 14.
[23] Mary Beth Marklein, "As for-profit colleges rise, students question value," *USA Today*, Sept. 29, 2010, p. 1A, www.usatoday.com/printedition/news/20100929/1aforprofit29_cv.art.htm.
[24] *Ibid.*
[25] Alexandria Walton Radford, *et al.*, "Persistence and Attainment of 2003-04 Beginning Postsecondary Students: After 6 Years," Institute of Education Sciences, U.S. Department of Education, December 2010, p. 7, http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2011151.
[26] "Subprime Opportunity: The Unfulfilled Promise of For-Profit Colleges and Universities," The Education Trust, Nov. 23, 2010, p. 3, www.edtrust.org/dc/Subprime.
[27] "Department of Education Established New Student Aid Rules to Protect Borrowers and Taxpayers," Department of Education, Oct. 28, 2010, www.ed.gov/news/press-releases/department-education-establishes-new-student-aid-rules-protect-borrowers-and-tax.
[28] Lanny Davis, "Time for a Re-Do on 'Gainful Employment,' " *The Huffington Post*, Nov. 18, 2010, www.huffingtonpost.com/lanny-davis/time-for-a-redo-on-gainfu_b_785121.html.
[29] "Frequently Asked Questions, Program Integrity: Gainful Employment Notice of Proposed Rulemaking," Department of Education, www2.ed.gov/policy/highered/reg/hearulemaking/2009/ge-faq.pdf.
[30] Charles River Associates, letter to Tony Miller, Deputy Education Secretary, Nov. 22, 2010, p. 1.
[31] "Frequently Asked Questions," *op. cit.*
[32] Jonathan Guryan and Mathew Thompson, "The Availability of Alternative Programs for Students Displaced by Gainful Employment: Testing Assumptions Crucial to Estimates of the Impact of Gainful Employment on Students," Charles River Associates, Nov. 22, 2010, p. 3.
[33] Erin Dillion and Robin V. Smiles, "Lowering Student Loan Default Rates: What One Consortium of Historically Black institutions Did to Succeed," Feb. 2010, *Education Sector*, p. 5, www.educationsector.org/sites/default/files/publications/Default_Rates_HBCU.pdf.
[34] Kinser, *op. cit.*, p. 13.
[35] Bennett, *et al.*, *op. cit.*, p. 9.
[36] *Ibid.*
[37] David W. Breneman, *et al.*, *Earnings from Learning: The Rise of For-Profit Universities* (2006), p. 5.
[38] Kinser, *op. cit.*, p. 17.
[39] "Timeline of Events — 1841," Imagine America Foundation, www.imagine-america.org/includes/1841.htm.
[40] Kinser, *op. cit.*, p. 18.
[41] Breneman, *et al.*, *op. cit.*, p. 51.
[42] "Flexner Report . . . Birth of Modern Medical Education," *MedicineNet.com*, www.medicinenet.com/script/main/art.asp?articlekey=8795.
[43] Breneman, *et al.*, *op. cit.*, p. 5.
[44] Kinser, *op. cit.*, p. 20.
[45] Guilbert C. Hentschke, *For-Profit Colleges and Universities: Their Markets, Regulation, Performance, and Place in Higher Education* (2010), pp. 92-93.
[46] Kinser, *op. cit.*, p. 21.
[47] Breneman, *et al.*, *op. cit.*, p. 51.
[48] Kinser, *op. cit.*, p. 21.

About the Author

Barbara Mantel is a freelance writer in New York City whose work has appeared in *The New York Times*, the *Journal of Child and Adolescent Psychopharmacology* and *Mamm Magazine*. She is a former correspondent and senior producer for National Public Radio and has won several journalism awards, including the National Press Club's Best Consumer Journalism Award and the Front Page Award from the Newswomen's Club of New York for her April 18, 2008, *CQ Researcher* report "Public Defenders." She holds a B.A. in history and economics from the University of Virginia and an M.A. in economics from Northwestern University.

[49] "Abuses in Federal Student Aid Programs," Permanent Subcommittee on Investigations, U.S. Senate, 1991, pp. 33-34, www.eric.ed.gov:80/PDFS/ED332631.pdf.
[50] "Higher Education: Information on Incentive Compensation Violations," Goverment Accountability Office, Feb. 23, 2010, p. 1, www.gao.gov/new.items/d10370r.pdf.
[51] "The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma," *op. cit.*, p. 9.
[52] Hentschke, *op. cit.*, p. 115.
[53] *Ibid.*, pp. 115-116.
[54] Breneman, *et al.*, *op. cit.*, p. 51.
[55] Kinser, *op. cit.*, p. 5.
[56] Bennett, *et al.*, *op. cit.*, p. 10.
[57] GAO, *op. cit.*, p. 3.
[58] "Higher Education: Stronger Federal Oversight Needed to Enforce Ban on Incentive Payments to School Recruiters," GAO, Oct. 7, 2010, www.gao.gov/products/GAO-11-10.
[59] "Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," *op. cit.*, p. 2.
[60] "Significantly Revised Report On For-Profit Colleges Seriously Undermines Credibility Of GAO Findings," press release, Coalition For Educational Success, Dec. 8, 2010, http://ed-success.org/press-release-report-on-for-profit-colleges-undermines-credibility-of-gao-findings.php.
[61] John Hechinger, "Lawmakers Call for Inquiry on GAO Report on For-Profit Colleges," Bloomberg, Dec. 22, 2010, www.bloomberg.com/news/2010-12-22/for-profit-colleges-report-by-ga0-should-be-reexamined-six-lawmakers-say.html.
[62] "Robbins Geller Rudman & Dowd LLP Files Class Action Suit against Capella Education Company," *Business Wire*, Nov. 5, 2010. www.marketwatch.com/story/robbins-geller-rudman-dowd-llp-files-class-action-suit-against-capella-education-company-2010-11-05.
[63] Judge G. Murray Snow, "Order Consolidating Cases, Appointing Lead Plaintiff, and Approving Lead Plaintiffs' Selection of Counsel," In the U.S. District Court for the District of Arizona, Nov. 23, 2010.
[64] Brian Burnsed, "Online Universities: Government Cracks Down On For-Profit Schools, USNEWS.com, Nov. 2, 2010, www.usnews.com/education/online-education/articles/2010/11/02/online-universities-government-cracks-down-on-for-profit-schools.html.
[65] "Oregon Sues to Recover $10 Million Connected to MIsleading Filings By University of Phoenix," Oregon Department of Justice, Oct. 18, 2010, www.doj.state.or.us/releases/2010/rel101810.shtml.
[66] "Westwood College on Probation by Colorado Commission," Dec. 15, 2010, www.westwoodsuit.com.
[67] Matt Coleman, "8 schools face probe on fraud," *Florida Times-Union*, Nov. 15, 2010, p. B-1.
[68] Sophia Pearson, "Kentucky Probes Practices at Six For-Profit Colleges," Bloomberg, Dec. 16, 2010, www.bloomberg.com/apps/news?pid=newsarchive&sid=aoXuR8XqgpzQ.
[69] John Lauerman, "Representative Kline Eyes Way to Stop Rule Restricting For-Profit Colleges," Bloomberg, Dec. 17, 2010, www.bloomberg.com/news/2010-12-16/kline-considering-measures-to-block-for-profit-college-rule.html.
[70] "Kelly Field, "For-Profit Colleges Hope for Republican Gains," *The Chronicle of Higher Education*, Oct. 31, 2010, http://chronicle.com/article/For-Profit-Colleges-Hope-for/125193/.
[71] *Ibid.*
[72] Samford and Shirvaikar, *op. cit.*, p. 2.
[73] Goldie Blumenstyk, "As For-Profit Colleges' Enrollment Growth Slows, Analysts See Signs of an Industry Reset," *The Chronicle of Higher Education*, Nov. 11, 2010, http://chronicle.com/article/For-Profit-Colleges-May-Be-at/125379/.
[74] Ariel Sokol, "Postsecondary Education Initiation," UBS Investment Research, pp. 20-21.

FOR MORE INFORMATION

Apollo Group, 4025 S. Riverpoint Parkway, Phoenix, AZ 85040; (480) 966-5394; www.apollogrp.edu. Through its subsidiaries, the largest for-profit provider of higher education services, targeting working adults.

Association of Private Sector Colleges and Universities, 1101 Connecticut Ave., NW, Suite 900, Washington, DC 20036; (202) 336-6700; www.career.org. A membership organization of accredited, private, postsecondary schools, institutes, colleges and universities providing career-specific educational programs.

Coalition for Educational Success, (240) 223-1962; www.ed-success.org. An advocacy group for many of the leading career colleges, serving more than 350,000 students at 478 campuses.

Council for Opportunity in Education, 1025 Vermont Ave., NW, Suite 900, Washington, DC, 20005; (202) 347-7430; www.coenet.us. A nonprofit dedicated to furthering the expansion of college opportunities for low-income, first-generation students and students with disabilities.

Education Trust, 1250 H St., NW, Suite 700, Washington, DC 20005; (202) 293-1217; www.edtrust.org. A nonprofit promoting high academic achievement for all students — especially low-income and minority — at all levels.

Institute for Access and Success, 405 14th St., 11th Floor, Oakland, CA 94612; (510) 318-7900; www.ticas.org. A nonprofit working to make higher education more available and affordable for people of all backgrounds.

National Association for College Admission Counseling, 1050 North Highland St., Suite 400, Arlington, VA, 22201; (703) 836-2222; www.nacacnet.org. A membership organization of college counseling and enrollment professionals from around the world.

Office of Postsecondary Education, Department of Education, 1990 K St., NW, Washington, DC 20006; (202) 401-2000; www2.ed.gov/about/offices/list/ope. Formulates federal postsecondary education policy and administers programs designed to increase access to quality postsecondary education.

Protect Students and Taxpayers, http://protectstudentsandtaxpayers.org. A website created by a coalition of nonprofits promoting strong and effective student-aid regulations.

Bibliography

Selected Sources

Books

Breneman, David W., Brian Pusser and Sarah E. Turner, eds., *Earnings from Learning: The Rise of For-Profit Universities*, State University of New York Press, 2006.
Contributors, including professors of education at the University of Virginia, dissect the mixing of profit and academia and the appeal of for-profit colleges to investors.

Hentschke, Guilbert C., Vincent M. Lechuga and William G. Tierney, eds., *For-Profit Colleges and Universities: Their Markets, Regulation, Performance, and Place in Higher Education*, Stylus Publishing, 2010.
Contributors, including scholars and for-profit executives, review the history, business strategies and management practices of for-profit higher education.

Kinser, Kevin, *From Main Street to Wall Street: The Transformation of For-Profit Higher Education*, Wiley Periodicals, 2006.
A professor at the University at Albany examines the history of for-profit higher education and its current incarnation.

Articles

Goodman, Peter S., "In Hard Times, Lured Into Trade School and Debt," *The New York Times*, March 13, 2010, http://community.nytimes.com/comments/www.nytimes.
Enrollment at trade schools grows as unemployment persists, but critics say students are saddled with high debt and dubious job prospects.

Lauerman, John, "For-Profit Colleges Singled Out Unfairly, Republicans Say," Bloomberg, Sept. 30, 2010, www.businessweek.com/news/2010-09-30/for-profit-colleges-singled-out-unfairly-republicans-say.html.
Republican lawmakers accuse Democratic Sen. Tom Harkin of Iowa of unfairly singling out for-profit colleges for scrutiny.

Lewin, Tamar, "Scrutiny Takes Toll on For-Profit College Company," *The New York Times*, Nov. 9, 2010, www.nytimes.com/2010/11/10/education/10kaplan.html?scp=1&sq=Scrutiny%20Takes%20Toll%20on%20For-profit%20College&st=cse.
Kaplan, a for-profit education company owned by *The Washington Post*, faces whistleblower lawsuits and an investigation by the Florida attorney general.

Smith, Lauren, "The Bitter Battle Over For-Profit Colleges," *CQ Weekly*, Nov. 1, 2010.
Career colleges lobby against a proposed government rule that would reduce the number of institutions participating in federal student-aid programs.

Reports and Studies

"Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," Health, Education, Labor and Pensions Committee, U.S. Senate, June 24, 2010, http://harkin.senate.gov/documents/pdf/4c23515814dca.pdf.
The report examines the scope of federal investment in for-profit schools and how they use those taxpayer dollars.

"For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices," U.S. Government Accountability Office, Aug. 4, 2010, www.gao.gov/products/GAO-10-948T.
Undercover tests at 15 for-profit colleges found fraud at four colleges and deceptive practices at all 15.

"The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma," Health, Education, Labor and Pensions Committee, U.S. Senate, Sept. 30, 2010, http://help.senate.gov/imo/media/doc/Education%20Report.pdf.
The report describes high withdrawal rates, aggressive recruitment, high student-debt levels and record profits at for-profit colleges.

Bennett, Daniel L., Adam R. Lucchesi and Richard K. Vedder, "For-Profit Higher Education: Growth, Innovation and Regulation," Center for College Affordability and Productivity, July 2010, www.centerforcollegeaffordability.org/uploads/ForProfit_HigherEd.pdf.
The authors provide an overview of the for-profit sector, examine its economics, discuss its differences from traditional schools and assess the regulatory environment.

Guryan, Jonathan, and Matthew Thompson, "Comment on the proposed rule regarding Gainful Employment described in the NPRM released by the Department of Education on July 26, 2010," Charles River Associates, Sept. 9, 2010, http://higher-ed-data.com/assets/cra.pdf.
The authors offer a critical assessment of the government's proposed gainful employment rule.

Radford, Alexandria Walton, *et al.*, "Persistence and Attainment of 2003-04 Beginning Postsecondary Students: After 6 Years," Institute of Education Sciences, U.S. Department of Education, December 2010, http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2011151.
This report examines the rates at which students completed degrees or certificates at different kinds of postsecondary institutions, including transfer and part-time students.

The Next Step:

Additional Articles from Current Periodicals

Debt

Gilbertson, Dawn, "3 Arizona For-Profit Schools Fare Well," *Arizona Republic*, Aug. 17, 2010, p. B6.
Three Arizona for-profit colleges have a 45-percent loan repayment rate among students, making them likely eligible for federal financial aid.

Korry, Elaine, and Liz Willen, "Colleges For Profit Under Scrutiny," *Fort Wayne* (Indiana) *Journal Gazette*, June 21, 2010, p. 4C.
For-profit schools might be offering an alternative to traditional colleges, but the choice often comes with high levels of student debt.

Shelly, Barbara, "The High Cost of Going Off to Career College," *Kansas City Star*, Aug. 13, 2010, p. A16.
More than 20 percent of student-loan borrowers that attend career colleges go into default within three years of leaving their programs.

Job Prospects

"Career Opportunities Abound in HVACR and Appliance Repair," *Boston Herald*, Sept. 14, 2010, p. K5.
Many employers are seeking employees with a technical education in appliance repair, according to the Department of Labor.

Burnett, George, "Career Colleges Work As Stepping Stones," *Denver Post*, Jan. 24, 2010, p. D4.
Westwood College makes no job guarantees to its students, but over the past year 76 percent of graduates have landed jobs in their field of study after graduating.

Garrett, Joan, "For-Profit Colleges Lure Adults," *Chattanooga* (Tennessee) *Times Free Press*, April 19, 2010, p. T1.
More and more adults are attending career colleges and technical institutions in order to better their job prospects.

Legal Cases

"Suit Against Computer Trade School Is Settled," *Lewiston* (Idaho) *Morning Tribune*, Dec. 22, 2009.
A judge has signed off on a settlement in which former students sued a computer trade school over alleged unfair business practices.

Danielson, Richard, "3 More Colleges in State Inquiry," *St. Petersburg Times*, Nov. 28, 2010, p. 1B.
The Florida attorney general's office is investigating three for-profit colleges over allegations of misrepresentations regarding financial aid as well as enrollment.

Marklein, Mary Beth, "Lawsuits Target For-Profit Colleges," *USA Today*, Sept. 27, 2010, p. 1A.
Class-action lawsuits against for-profit colleges have been filed in Arkansas, California, Colorado and Utah alleging lies and misrepresentations.

Wiese, Kelly, "Defense Wins in Case Over Value of Tech Education," *Missouri Lawyers Media*, May 31, 2010.
Former students of Sanford Brown College in North Kansas City have won their case against the school over claims of being misled about how much they could earn once trained.

Legislation

Conda, Cesar, "New Federal Loan Regulations Could Threaten For-Profit Colleges," *The Washington Times*, Aug. 26, 2010, p. B4.
The Department of Education is considering tracking the potential salaries of for-profit college students in order to determine their likelihood of paying back government-sponsored loans.

Lewin, Tamar, "For-Profit Colleges Step Up Lobbying Against New Rules," *The New York Times*, Sept. 8, 2010, p. A16.
For-profit colleges stepped up their lobbying efforts against proposed Education Department regulations that would cut off financial aid to programs whose students take on too much debt.

Steffen, Jordan, "Colleges Run for Profit Face New Regulations," *Los Angeles Times*, Oct. 29, 2010, p. A8.
The Obama administration has proposed new regulations that would prevent for-profit colleges from engaging in deceptive enrollment tactics.

Citing *CQ Researcher*

Sample formats for citing these reports in a bibliography include the ones listed below. Preferred styles and formats vary, so please check with your instructor or professor.

MLA Style

Jost, Kenneth. "Rethinking the Death Penalty." CQ Researcher 16 Nov. 2001: 945-68.

APA Style

Jost, K. (2001, November 16). Rethinking the death penalty. *CQ Researcher, 11*, 945-968.

Chicago Style

Jost, Kenneth. "Rethinking the Death Penalty." *CQ Researcher*, November 16, 2001, 945-968.

In-depth Reports on Issues in the News

Are you writing a paper?

Need backup for a debate?

Want to become an expert on an issue?

For more than 80 years, students have turned to *CQ Researcher* for in-depth reporting on issues in the news. Reports on a full range of political and social issues are now available. Following is a selection of recent reports:

Civil Liberties
Cybersecurity, 2/10
Press Freedom, 2/10
Government and Religion, 1/10
Closing Guantánamo, 2/09
Affirmative Action, 10/08

Crime/Law
Death Penalty Debates, 11/10
Drone Warfare, 8/10
Prosecuting Terrorists, 3/10
Prisoner Reentry, 12/09
Legalizing Marijuana, 6/09

Education
Housing the Homeless, 12/09
Bilingual Education, 12/09
Value of a College Education, 11/09

Environment/Society
Animal Intelligence, 10/10
Impact of the Internet on Thinking, 9/10
Social Networking, 9/10
Abortion Debates, 9/10
Reality TV, 8/10
Water Shortages, 6/10
Teen Pregnancy, 3/10

Health/Safety
Food Safety, 12/10
Preventing Bullying, 12/10
Preventing Obesity, 10/10
Health-Care Reform, 6/10
Caring for Veterans, 4/10

Politics/Economy
Income Inequality, 12/10
Blighted Cities, 11/10
U.S.-British Relations, 11/10
Financial Industry Overhaul, 7/10
Jobs Outlook, 6/10

Upcoming Reports

Cameras in Courtrooms, 1/14/11
Genetics and Medicine, 1/21/11
Nuclear Waste, 1/28/11

ACCESS

CQ Researcher is available in print and online. For access, visit your library or www.cqresearcher.com.

STAY CURRENT

For notice of upcoming *CQ Researcher* reports or to learn more about *CQ Researcher* products, subscribe to the free e-mail newsletters, *CQ Researcher Alert!* and *CQ Researcher News*: http://cqpress.com/newsletters.

PURCHASE

To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at $15. Bulk purchase discounts and electronic-rights licensing are also available.

SUBSCRIBE

Annual full-service *CQ Researcher* subscriptions—including 44 reports a year, monthly index updates, and a bound volume—start at $803. Add $25 for domestic postage.

CQ Researcher Online offers a backfile from 1991 and a number of tools to simplify research. For pricing information, call 800-834-9020, or e-mail librarymarketing@cqpress.com.

CQ RESEARCHER ***PLUS*** *ARCHIVE*

GET ONLINE ACCESS TO VITAL ISSUES FROM 1923 TO THE PRESENT

CQ Researcher Plus Archive delivers fast, online access to every *CQ Researcher* report from 1991 to the present, *PLUS* lets you explore the complete archive of *Editorial Research Reports** from 1923-1990. Search and browse more than 3,600 in-depth reports.

Loaded with handy online features, *CQ Researcher Plus Archive* provides the trustworthy reporting and the advanced online functionality today's researchers demand. The new "Issue Tracker" feature provides quick links to past and present reports on the specific topics you need.

For a free trial, visit http://library.cqpress.com/trials.

For pricing information, call 1-800-834-9020, ext. 1906 or e-mail librarymarketing@cqpress.com.

**Editorial Research Reports*, the predecessor to *CQ Researcher*, provides the same expert, nonpartisan reporting on the vital issues that have shaped our society.

CQ Press • 2300 N Street, NW, Suite 800 • Washington, DC 20037