Education

When For-Profits Target Low-Income Students

Arnold L. Mitchem, 10.26.10, 12:00 PM ET

The current policy debate over federal regulation of for-profit higher-education institutions has generated a lot of heat, but very little light. I believe the object of concern is misplaced. We should not be focusing on whether for-profits are being unfairly targeted by policymakers--especially those who may be looking to exploit a hot-button issue just prior to Election Day. Rather, we should give thoughtful consideration to the broader issue of educational equity at these institutions.

Here are the facts: Low-income Americans are disproportionately represented at for-profit institutions. This class (and sometimes racial and ethnic) stratification is troubling for two reasons. First, there is little evidence that this stratification is the result of the informed choice of students or their families. Second, in far too many cases, students who enroll in programs at proprietary institutions do not improve their life chances or increase their social mobility. In actuality, these students graduate at very low rates and with few or no viable employment options.

I write on the basis of my own experience of nearly 30 years as head of the nation's only organization representing the interests of low-income students as well as minority and first-generation students and students with disabilities. I personally know the circumstances under which they encounter challenges to access and success in postsecondary education.

Low-income families know very little about the range of postsecondary options and the college admissions process. If discussions of college rankings, the sticker price of college versus the actual price, the transferability of credits, and the vagaries of financial aid confuse families with resources, imagine how low-income youth and adults with no college experience feel. In short, when low-income, first-generation students enter the college marketplace, they do not do so as informed consumers equipped to negotiate with sales representatives. Rather students often believe the "salesperson"--individuals serving as an "admissions counselor" at for-profits--who encourage them to take on high-interest loans likely to be defaulted.

The sophisticated marketing and recruiting techniques of many for-profit institutions thereby take on a predatory nature, similar to what we have seen in the subprime mortgage crisis in the mortgage industry. These high-pressure transactions, in which institutions promise quick degrees and jobs in exchange for high tuition, are deeply dishonorable because there is an inherent inequity in the relationship between the low-income consumer and the industry. Students often have no knowledge of comparable programs offered by public colleges in their communities at lower cost so they are unable to judge the true value of the for-profit certificate or degree program.

As troubling as such an unequal relationship between buyer and seller may be, it might be justified if the seller's product offered the promised outcome. But in too many cases, students leave for-profit institutions in worse circumstances than they were before they enrolled.

There are several scenarios for students enrolled in for-profit institutions that I have seen played out and that I described to members of Congress in September:

(1) The school holds out the lure of high-paying jobs in a field, but either no such jobs exist or they require education or experience beyond what the school provided;
(2) students enroll in a program that requires skills they do not have at the time of matriculation, so, in short order, they drop out with no degree or certificate and left still saddling a large loan obligation;
(3) students enroll in a program under the assumption that credits are transferable to a public or nonprofit, but they aren't, so they pay twice to attain their ultimate academic goals;

(4) and finally, students are badly served by for-profits when their education does not provide a real or significant boost in earnings.

Paying back student loans over a long period of time sometimes rules out the possibility of making other financial investments that will create a better life for an individual's family such as buying a house, or saving for retirement or for one's children's education.

The federal government, in particular the U.S. Department of Education, is right to be concerned that for-profit institutions are preying on low-income students, and as recipients of federal grants and loans, they are doing so at taxpayers' expense. There is both a fiscal and fiduciary responsibility--a moral obligation--to see that these students are protected from abuse and that federal funds are being expended properly.

I question, too, the rising proportion of federal grant aid that is being channeled to the private sector. Analysts and policymakers alike are rightly scrutinizing the "privatization" of education and the rapid growth of the for-profit institutions whose revenue streams are supported by public dollars.

But policymakers must also address the larger questions of access and equity that the well-publicized cases of unsavory practices illuminate. If the playing field is to be truly leveled, low-income students must have access to the full range of postsecondary institutions--not just the ones that are savvy enough to get their recruiting information into students' hands. Ensuring college opportunity for all requires that the nation make a substantial investment in pre-college counseling and advising for low-income, first-generation students and their families--a much larger effort than we have undertaken to date.

Arnold Mitchem is president of the Council for Opportunity in Education, the only national organization dedicated to furthering the expansion of postsecondary opportunities for low-income and first-generation students.