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Going to school on for-profit colleges

Federal regulators and lawmakers are scrutinizing an industry that has been accused of high-pressure sales tactics, low graduation rates

By Gregory Karp, Tribune reporter

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Government investigators, Congress and the Obama administration are raising concerns about for-profit colleges, scrutinizing an industry accused of permitting high-pressure sales tactics, low graduation rates, poor career placement and excessive profit margins.

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Their graduates are more likely than other college students to default on their student loans, many of which are subsidized by American taxpayers. A recent undercover investigation by the U.S. Government Accountability Office found that 15 of 15 for-profit colleges studied, but not identified, made deceptive or otherwise questionable statements to undercover applicants. Four encouraged outright fraud.

The House and Senate are holding hearings on the industry, and the Education Department has proposed regulations, which are being hotly debated, that would require for-profit career colleges to better prepare students for "gainful employment" or risk losing access to federal student aid.

But for all their warts, for-profit schools have a place among U.S. educational offerings, concede even fierce critics.

For-profit colleges can fill a need, alongside nonprofit community colleges, state colleges and private universities, to help train and retrain America's work force. Good for-profit career schools — with their flexible class schedules, online course offerings and laserlike focus on job skills — can be a reasonable choice for certain students, experts say.

These career colleges boast thousands of success stories, alumni thriving in their chosen fields, including nursing, business administration, graphic design, cosmetology and others. But they are also the source of horror stories, featuring students with crippling debt who can't get jobs.

Americans are familiar with the names of some for-profit colleges, not because of their football teams

or research breakthroughs. They have huge marketing budgets. Names include DeVry, Strayer, University of Phoenix and an estimated 2,000 others eligible to receive federal aid. The advertising, along with an economy in the dumper, have combined to boost enrollment at for-profit colleges from about 365,000 students to almost 1.8 million in the last several years, according to the GAO.

For-profits generally cater to nontraditional students — older, with full-time jobs, with children. Students tend to be poorer than those who attend traditional colleges. Many were C students or worse in high school. "These are the adults who didn't make it the first time around," said David Pauldine, president of DeVry University. "We're their last shot, their last hope."

For a consumer considering attendance at a for-profit college, the mantra should be "buyer beware," education experts say.

•**For-profit colleges can be expensive.** The average sticker price for tuition and fees at a for-profit college is \$14,174 per year, according to the College Board Annual Survey of Colleges. That's almost six years of tuition at a community college, which averages \$2,544 per year. But community colleges might offer similar programs. In the GAO investigation, a student interested in a massage therapy certificate costing \$14,000 at a for-profit college was told that the program was a good value. Turns out the same certificate from a local community college cost \$520.

"For-profit colleges have their place as long as they are credible," said George R. Boggs, president and chief executive officer of the American Association of Community Colleges. "Many do a very good job of preparing students to get into the economy quickly." His advice? "Make sure the institution is accredited and has been around for a while. Some of these institutions are fly-by-night." Some for-profit schools offer four-year bachelor's programs, which generally are not offered at two-year community colleges.

•**Do your research.** Ask college recruiters for data on graduation rates, placement rates and starting salaries for students who graduated from the same school and program. "Look at the transparency of the institution," said Pauldine, of DeVry. "How easy is it to get information to those important questions?"

One resource is the Education Department's College Navigator site, nces.ed.gov/collegenavigator, which includes information such as costs, financial aid, enrollment, fields of study, accreditation and loan-default rates. Also look at college-insight.org. Find national wage data at the Bureau of Labor Statistics Web site: bls.gov/bls/blswage.htm. The GAO report found that one admissions representative from a for-profit college in Washington, D.C., told a prospective student that barbers can earn up to \$150,000 to \$250,000 a year. The Bureau of Labor Statistics reports that 90 percent of barbers make less than \$43,000 a year.

"They use appealing and aggressive marketing tactics, targeted to lower-income, less-educated students, desperate in this economy for something to give them a foothold in the job market," said Lauren Asher, president of the nonprofit Institute for College Access and Success. "The burden is on the consumer to ferret out what information there is on likely outcomes. There is a lot of legwork involved."

Even Harris Miller recommends grilling college recruiters. He's president and CEO of the Career College Association, an industry organization representing for-profit career colleges. "Ask the tough

questions," he said. "If they can't answer your questions, it probably means you don't want to be going to that school."

•**Be skeptical.** Mandatory viewing: Go online to gao.gov/products/GAO-10-948T and watch the lies and deceptions of for-profit college recruiters caught on video by the GAO. That's not to imply a for-profit college you're considering will behave similarly, but it's important to know what to look for, Asher said.

Also, understand that many for-profit colleges are owned by publicly traded companies, meaning their first loyalty is to shareholders, not students, said Rafael I. Pardo, a law professor at the University of Washington School of Law who studies bankruptcy and student loans. They are obligated to maximize profits. "It's a huge conflict of interest," Pardo said. "If you're equipped with that knowledge, it makes you a more cautious consumer. That information, in and of itself, is empowering."

•**Determine whether the degree or certificate will get you into your career field.** Some of the most troubling anecdotes come from students who attend pricey for-profit colleges, only to learn they don't have the prerequisites to take a certification exam or the necessary skills to get a job in their occupation. "Talk to employers in the field about what they require for the kind of job you're interested in and how they perceive the program you're looking at," Asher said.

•**Ask, "What experience am I looking for?"** If you want a place to explore careers, join fraternities or sororities and go to football games on weekends, for-profit colleges are not for you. "The private sector tends to be more focused," Pauldine said. "It's not a place where students go to find themselves. You get in, get out and become a working member of society." For-profit colleges are best for students who know precisely the career field they want to enter, Miller said. "At traditional institutions, students are expected to change their minds frequently. It really doesn't make sense to do that too often in our institutions."

•**Can you handle the debt?** Assuming you can't pay cash for your education at a for-profit school, you'll have to borrow. The key is to think about your "return on investment" — how much more will you earn because you have a degree or certification? Be wary of a school pushing mostly private student loans, Asher said. Private loans often have variable interest rates and generally fewer consumer protections than government-backed loans, she said.

•**Opportunity costs.** One factor in favor of for-profit career schools is that they don't force students to take general studies classes, such as history or civics. Career schools aren't closed during the summer and don't have a lengthy holiday break. So students can graduate quicker — in about 18 months for a program that might take two years at a community college, and three years for a program that would typically take four years at a traditional college, Miller said

That's why Tim Simmons, 45, of Country Club Hills, went to DeVry in the mid-1980s. He knew he wanted to get into computer information systems and quickly. "I didn't want to spend a lot of time in chemistry and biology," he said. "I wanted to get out there and do what I was capable of doing." He graduated with a bachelor's degree in three years and landed an IT job with help from DeVry's placement office. He said the \$15,000 he spent on his education was money well-spent — his first job paid \$23,500. Now director of IT project management for CNA Insurance, Simmons said DeVry was right for him because he was focused on exactly what he wanted to do, and he didn't overburden

himself with student loans.

•**Do you need flexibility?** Flexibility is among the primary benefits of attending a for-profit college, Miller said. Course schedules are designed around the schedules of students, not faculty. That might mean offering biology class at 7 a.m., 7 p.m. and on weekends. "We understand many students have life-gets-in-the-way challenges" that include working full time and having children who need day care, Miller said.

•**Will you continue your education?** If you attend a two-year career school, realize that few if any of your credits at a for-profit career school will transfer to traditional four-year schools, experts say. To be fair, that's also an issue with some community college credits.

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For-profit profile

Undergraduates in private-sector colleges and universities.

Financially independent from parents: 76 percent

Age 24 and older: 63 percent

Have dependent children: 47 percent

Work full time: 28 percent

SOURCE: U.S. Department of Education, National Postsecondary Student Aid Survey, 2008

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