

South Florida Sun-Sentinel.com

Keiser University files lawsuit against community college

For-profit schools fire back at critics

By Scott Travis, Sun Sentinel

4:37 PM EDT, October 6, 2010

For-profit colleges are beginning to launch an all-out war to fight what they see as unfair attacks from such critics as community colleges and the federal government.

advertisement

Fort Lauderdale-based Keiser University sued a Jacksonville community college on Monday, claiming administrators there maligned its school. At the same time, a group representing 19 other for-profit schools released a study slamming recruiting practices and student achievement at community colleges, which compete for many of the same students and government dollars.

And last week, more than 2,000 career college students and supporters attended a rally in Washington, D.C., to protest proposed regulations that could strip the for-profit colleges of much of their federal aid.

"The misinformation is just extraordinary, and we have been absolutely miserable at defending ourselves," said Keiser chancellor Arthur Keiser, who also leads the Association of Private Sector Colleges and Universities, the industry lobbying group. "Finally, I think that's beginning to change."

The sector has come under fire in the past year, as Senate hearings and federal government reports have raised questions about recruiting practices, student debt and the large amounts of federal dollars the schools receive. For-profits say they are being unfairly singled out.

Keiser claims in its lawsuit that the president and another administrator at Florida State College at Jacksonville launched a smear campaign against Keiser and the entire for-profit sector. The university based many of its claims on documents obtained through a public records request to the community college.

According to the suit, college president Steven Wallace sullied the reputation of Keiser and other for-profit schools in an April 2009 e-mail to a short seller, who would profit if the price of publicly-traded education stocks declined in value, the suit alleges. The community college was launching a

new technical school at the time and saw Keiser as competition, according to the suit.

"The new technical college we will launch ... is designed, in part, to drive the sleazebags out of our region," according to Wallace's e-mail.

The suit also alleges that school officials fed the media stories that for-profit schools "ripped off" their students and provided them with "worthless degrees." Keiser's business suffered, with lower than expected enrollments and restricted access to recruit at area high schools.

"They were out to harm our business, and it got to a point where this was intolerable," said James Waldman, Keiser's general counsel.

Wallace called the suit "absurd," adding, "we are not concerned in the slightest because we have done nothing improper."

Florida State College officials say they suspect Keiser is upset because community colleges have supported tighter controls of the for-profit industry. The U.S. Department of Education has proposed new rules that would limit colleges' access to student aid if too many students default on their loans or fail to find "gainful employment."

For-profit colleges received \$4 billion in federal Pell Grants and \$20 billion in federal loans in 2009, making up the bulk of their revenues, federal data show. And while only 12 percent of college students attend for-profit schools, they account for 43 percent of student loan defaults. Most students in community colleges don't take out student loans, since tuition is state-subsidized and considerably cheaper.

"We are simply trying to protect our local college students from excessive debt," Wallace said. "We will continue to do so on behalf of our community and will defend the college vigorously in court."

Keiser's fight is not limited to Florida State College. Last week, it sent 28 students and supporters to Washington, D.C., to join a national rally against proposed federal regulations. Keiser nursing program graduate Greg Shaw, 44, of Tallahassee, was one of them.

"I worked very hard for a program where we lost 60 percent of the students who didn't make the grade," he said. "Now I'm hearing people sneering, saying, 'I understand the government is cracking down on programs like yours.' It has the effect of devaluing the degree I worked hard for, and it's offensive."

Career colleges and their supporters say the industry is being unfairly attacked. For example, a recent Government Accountability Report did an undercover investigation of recruiting practices at 15 for-profit colleges, but didn't look at other education sectors. Problems were found in all the campuses, with potentially fraudulent behavior at four schools. Keiser was not among those visited.

Several for-profits, including Kaplan Higher Education and the University of Phoenix, have issued a long list of changes to address the problems, including restructuring their pay system so advisers aren't working on commission, thus discouraging the use of high-pressure sales tactics.

Immediately after the government report, Kaplan suspended enrollment at Kaplan College locations

in Pembroke Pines and Riverside, Calif., and that's still in effect. A company statement said Kaplan is conducting a thorough investigation to make sure students and applicants "are treated in the most responsible and ethical manner possible," and that employees are following all laws and company policies.

But industry officials say community colleges are also guilty of questionable practices. The Coalition for Education Success, made up of such schools as the Art Institutes and Argosy University, commissioned an undercover operation of practices at community colleges. The report states admission officials wouldn't release graduation data and gave misleading or evasive data about job placement rates and earnings potential of graduates.

The survey also quotes federal data that shows community colleges have graduation rates of 21 percent, compared to 58 percent for career colleges.

"At a time when community colleges are being touted as the answer for educational achievement and job placement in this country, we found troubling evidence to the contrary," said Jean Norris, lead researcher on the study.

If all the findings are true, it still doesn't negate the need for reforms in the for-profit industry, said critic David Hawkins, director of public policy for the National Association for College Admission Counseling.

"The stakes must be extraordinarily high for the for-profits to be responding with such aggressive tactics," he said. "The regulations proposed would fundamentally alter their business model, which is something they're not interested in doing right now."

Scott Travis can be reached at stravis@SunSentinel.com, 561-243-6637 or 954-425-1421.

Copyright © 2010, [South Florida Sun-Sentinel](#)