For-Profit Colleges: Do Your Homework

From the Office of Minnesota Attorney General Keith Ellison

Higher education has long been the way that many Americans have pursued greater economic opportunity and increased earning potential. Many students have turned to for-profit colleges—whose investors make money when students enroll in the schools—for certificates and degrees, some involving online coursework.

For-profit college advertisements are everywhere—on the Internet, television and radio, in newspapers, in your mailbox and over the phone. The advertisements—often aimed at students without much money or who are the first in their family to go to college or who don't have much experience with higher education—may tell about success stories of students who have graduated, how much money a student will make upon graduation, or the ease with which their online programs will fit the student's lifestyle.

Because the investors of for-profit colleges make money when students enroll, their recruiters sometimes relentlessly pursue students who have expressed an interest in receiving more information. In recent years, the tactics of some for-profit colleges have come under scrutiny. In some cases, such colleges have used deceptive sales practices to entice students to enroll in expensive programs that are available at a state college or university at a fraction of the cost. In other cases, students have paid thousands of dollars to enroll in such programs, only to obtain a worthless degree.

If you or your child are considering enrollment in a for-profit college, do your homework to be sure that you get the best value for your money and avoid problems:

Industry Facts and Figures

The for-profit college industry has been a source of high profits for Wall Street and private investors. A July 2012 report by a U.S. Senate committee found that 15 companies owned by Wall Street investors enrolled 63 percent of all students attending for-profit colleges.

The Senate Committee also found that, while around 2,000 for-profit colleges nationwide enrolled about only 11 percent of all higher education students, those schools received nearly 25 percent of all federal financial aid—totaling about $32.1 billion each year. The largest 15 for-profit colleges received about 86 percent of their funding from federal, taxpayer-backed student loans and aid programs.

As the economy has improved in recent years, for-profit schools have seen a decline in their share of student enrollment. A Department of Education study in 2016 reported that the number of for-profit colleges declined by 5 percent since 2014. The number of students enrolled by for-profit colleges in the 2014-15 academic year dropped by 10.6 percent from the previous year.

When students default on federal loans, taxpayers—not the for-profit colleges—pick up the tab. In other words, taxpayers subsidize the private equity funds and investors who own the for-profit colleges when students who attend them default on their federal student loans.

Research has also found that for-profit schools, despite costing multiple times the amount charged by public institutions or community colleges, have poorer results. A 2014 study, for example, found that the earnings returns for graduates of for-profit schools was lower than graduates of public institutions. And a 2016 study found that students who enroll in certificate, associate's, or bachelor's programs at for-profit colleges actually see a *decline* in earnings (and often higher debt) five or six years after they attended the for-profit college.

Fraud Investigations and Reports

Since 2010, several investigations and reports have also shed light on misleading and abusive practices utilized by for-profit colleges in order to maintain high enrollment numbers. In 2010, the Government Accountability Office (GAO) did an undercover investigation and found that 15 of 15 for-profit colleges investigated made deceptive or questionable statements to undercover applicants as part of the enrollment process, such as providing false information about the college's accreditation, graduation rates, prospective employment or salary, duration and cost of the program, or financial aid. The GAO found that some schools employed "hard-sell sales and marketing techniques" to encourage students to enroll.

The 2012 U.S. Senate Report discussed above also concluded that "deceptive recruiting" was common in the for-profit-college industry and that deceptive recruiting practices caused many students to enroll in such programs despite poor outcomes.

In 2014, the U.S. Department of Education found that the Corinthian Colleges chain of schools—which included Everest Institute, Heald College, and Wyotech—engaged in widespread misrepresentations between 2010 and 2014 related to its job placement rates. And in 2016, ITT Educational Services collapsed amid several investigations by states and other authorities concerning deceptive practices.

A Hennepin County District court also held in 2016, in an action investigated and brought by this Office, that Minnesota School of Business and Globe College engaged in widespread misrepresentations related to marketing and recruitment into their "criminal justice" program.

Aggressive Recruiting Practices

Many students use the Internet as a research tool. The GAO found that some websites that claim to match students with colleges are really "lead generators" that transfer the data from students who enter their contact information to for-profit colleges, whose recruiters then pursue the prospective student. The GAO found that within minutes of filling out forms online, some prospective students received a barrage of phone calls from colleges. One prospective student received a phone call about enrollment within 5 minutes of registering and another 5 phone calls within the first hour. Another received 182 phone calls in the first month of using the websites.

The Attorney General's Office has also received many complaints about high-pressure tactics like those uncovered in the GAO's report. Students have reported being misled to believe that a recruiter is an expert career advisor there to provide advice in the student's best interest, when in reality the person has little knowledge of career and academic counseling and is merely trying to meet a sales quota. Students also report being told that they need to enroll right away to avoid missing a spot in a given enrollment period or that taking their time or looking at other schools will cause the school to take away the student's "acceptance" into their program. Recruiters are known to downplay and avoid talking about the cost of the program. You should be aware of these and other tactics that may be used to pressure you to enroll right away and prevent you from making a well-informed decision.

Costs

For-profit colleges are significantly more expensive than state colleges and universities. A 2018 report found that credit-for-credit, the cost to attend a two-year for-profit college is nearly five times the cost of a two-year public college. The cost to attend a four-year for-profit college is twice that of a four-year public college.

Retention and Graduation Rates

It is important to look at retention and graduation rates when comparing colleges. A school's retention rate is the percentage of students that return the following fall. High retention rates can indicate that enrolled students stay on a path to graduation and are satisfied with their program of study. According to the National Center for Education Statistics, the retention rate for students at for-profit 4-year schools in 2013-14 was 56 percent, while the rate for all other schools was 81 percent.

Graduation rates are also important because they show how many students are completing programs and getting degrees within a normal time for completion (e.g., 6 years for 4-year degrees). While the graduation rate for bachelor's degree students that started in the fall of 2008 was 58 percent at public schools, the rate was only 23 percent at for-profit schools.

Loan Default Rates

Federal law prohibits colleges from receiving more than 90 percent of their funding from federal student loans and aid for 2 consecutive fiscal years. Many for-profit colleges receive federal student loan and aid funding at or near this limit. If a student does not make payments on their federal loans and the loans default, the federal government and taxpayers pick up the tab, meaning that the taxpayers essentially subsidize the private equity funds and Wall Street investors who own the college.

For-profit schools account for a high share of students who default on federal student loans. A 2018 report found that 52 percent of students who attended for-profit schools defaulted on their loans, compared with 17 percent for those who attended a four-year public institution and 26 percent who attended a community college.

Do Your Homework Before You Enroll

Students and their families may wish to consider the following suggestions to avoid problems:

Question the Marketing Pitches

For-profit colleges are owned by investors who make money when the colleges enroll new students. Their recruiters may be very aggressive in calling students and pressuring them to enroll, sometimes by falsely touting graduation rates or exaggerating job placement rates or a student's likely earnings upon graduation. Never rely on the word of mouth of the recruiter; rather, look behind the recruiter's figures and promises and consider:

- **Graduation rates.** Federal law requires for-profit colleges to disclose their graduation rates to applicants upon request. Ask for this information in writing. If an institution refuses to comply, report it to the Minnesota Office of Higher Education and the U.S. Department of Education. The Department of Education's website also features a "College Scorecard" tool that can provide easy information about each school's graduation rate, cost, and salary after attending. You can access college scorecard at *https://collegescorecard.ed.gov/*.
- **Job placement rates.** Some for-profit colleges may exaggerate a student's employability after graduation. Ask for written proof of the college's post-graduation rate in your field of study and ask for an explanation of what the school considers as a "placement," in writing if possible.
- **Future earning potential.** Some for-profit colleges may inflate a student's future earnings upon graduation. You can independently check the projected earnings of a future career by accessing. U.S. Department of Labor statistics online at *https://www.bls.gov/oes/*. You can also check the "College Scorecard" site to see the average earnings of graduates from each schools' program at *https://collegescorecard.ed.gov/*.
- **Does the accreditation mean anything?** For-profit colleges can usually claim some type of "accreditation," but some degree or certificate programs may cost thousands of dollars and not be the type of "accreditation" that meets the standards for the profession in which you plan to work. The Attorney General's Office has heard from students who have spent thousands of dollars to obtain a certificate offered by a for-profit program, only to find that employers will not hire people based on this certificate. Find out whether employers in the area hire students with the type of degree offered by the for-profit college, perhaps by speaking with employers or local community or technical colleges or public universities in the area.

Consider the School's Type of Accreditation and its Impact on Transfer of Credit or Advanced Degrees

Anyone considering a for-profit college should look closely at the type of accreditation that the school and/or program may have.

Institutional Accreditation

Every college or university that is eligible to receive federal student aid funds must hold "institutional accreditation" from an accrediting agency. However, there are two different kinds of institutional accreditation. First, there is "regional" institutional accreditation, which is approval by one of seven regional accrediting agencies that cover different areas of the United States. Regional accreditation is almost always the type of accreditation held by public state schools, community colleges, and nonprofit private universities. The regional accreditor for Minnesota is the Higher Learning Commission, located in Chicago.

Second, there is "national" institutional accreditation, which involves approval by one of several national accrediting agencies permitted by the U.S. Department of Education to approve a school. National accrediting agencies almost always accredit for-profit schools.

The type of institutional accreditation held by a school can have a significant impact on the transferability of credits and degrees. Credits earned at nationally accredited schools rarely transfer to regionally accredited schools. Likewise, degrees earned from nationally accredited schools are often not accepted by regionally accredited graduate schools. Certain licensing or educational requirements for an occupation or profession may require a degree from a *regionally* accredited school. For these reasons, you should always find out the type of institutional accreditation of any school that you are considering attending.

Programmatic Accreditation

You should also be aware of programmatic accreditation—which is accreditation by an agency that reviews specific programs within an institution for quality. Several programmatic accreditors may exist for a given subject or field with different standards of quality and supervision. Before you enroll, you should learn the programmatic accreditation of any program you would like to attend. You should also research the reputation of different programmatic accreditors in a given field and how that accreditation may affect your employability upon graduation.

Ultimately, prospective students should not rely on for-profit college recruiters for information about accreditation and transferability of credits. This Office has seen many complaints from students who received incorrect, misleading, and false information from for-profit recruiters about accreditation and how it affects transferability of credits or employability. Thus, you should consider and research these issues before you make a decision.

Consider Withdrawal Periods

Some for-profit colleges have strict withdrawal deadlines, in which to receive a full refund for the courses you began to take. If you withdraw after the deadline, the college may be required to return a portion of your student loans to the lender, leaving you potentially personally liable to pay back the college for a portion of the classes you attended. Ask for a copy of the withdrawal policy in writing.

Compare Costs

In some cases, you may be able to get the same or better degree elsewhere, such as at a community or technical college or state university, for a fraction of the cost. The recruiters at for-profit colleges may pressure you to enroll, but take time to comparison shop. Make sure the cost quoted by the for-profit college aligns with the length of time you plan to attend courses; for example, if you plan to attend school 12 months out of the year, make sure the college quotes you the cost for attending 12 months of classes. Also, stop by or call your local public college to find out what it charges for the same or similar program.

Loans Must Be Paid Back

As noted above, some for-profit colleges get almost all of their revenue from federal student loans and aid programs. Some recruiters may minimize the expense of attending a for-profit college by telling you that you can pay for college with federal student loans. You should review all of the expenses you will have when attending college, including your cost of living and room and board. You should review whether these loans and other funding sources will cover all your expenses and, if not, think through how you will make up the difference. You should verify the amount and type of financial aid you qualify for and make sure you are comfortable with the amount of loans you will be responsible to pay back. Remember, you must pay back a loan. If you default on a student loan, you can ruin your credit history and ultimately face collection efforts, including wage garnishment.

For more information or to file a complaint, contact these agencies:

U.S. Department of Education
400 Maryland Avenue SW
Washington, D.C. 20202
(800) 872-5327
TTY: (800) 437-0833
www.ed.gov

Minnesota Office of Higher Education
1450 Energy Park Drive, Suite 350
St. Paul, MN 55108
(651) 642-0567 or (800) 657-3866
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www.ohe.state.mn.us

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