

EDUCATION

This Army Veteran Wanted to Become a Video Game Animator

Instead, he got played by two for-profit colleges.

By DAVID HALPERIN
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Excerpted from [Stealing America's Future: How For-Profit Colleges Scam Taxpayers and Ruin Students' Lives](#) by David Halperin.

This article is part of the [United States of Debt](#), our third **Slate Academy**. Join **Slate's** Helaine Olen as she explores the reality of owing money in America. To learn more about this project, visit slate.com/Debt.

After a three-year stint in the United States Army, Mike DiGiacomo, 23 years old, was back home, just south of Boston. When he visited the admissions office at Gibbs College that day, he hoped he was taking the first step toward a well-paying career as an animator for video games. Instead, Mike was about to be deceived, big time. And as a result of that deception, he would soon be plunged into overwhelming debt.

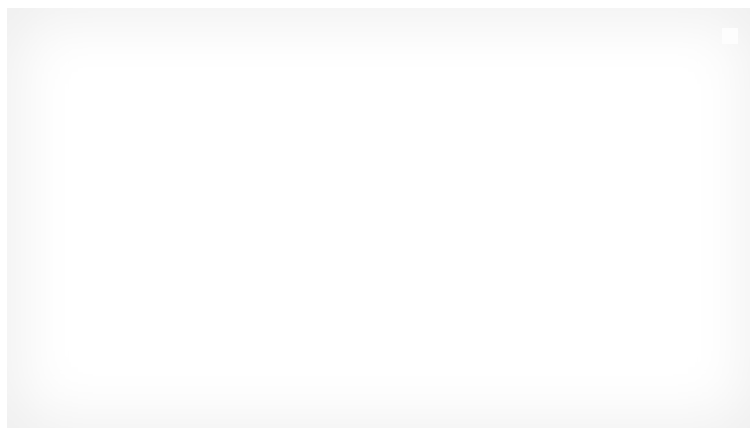
Mike loved video games, and he was excited to learn that a game he liked was made by Turbine, Inc., a company headquartered nearby. Hoping to join that industry, Mike started looking at college opportunities. He thought of applying to the Massachusetts College of Art and Design, a state school, but he missed the deadline. He enrolled at Massasoit Community College, but he had to borrow a car to get there, and that proved a challenge, and he dropped out.

Mike didn't know much about picking a college, or that Gibbs was a for-profit college, or that there were differences between state, nonprofit, and for-profit colleges. No one in his family had ever attended college. The University of Phoenix, the nation's biggest for-profit college, had a presence at his Army post in Alaska, and Mike had thought, *Why is a school from Phoenix here?*

"When you leave the Army, they give you a life class—teaching you how to buy a car and other things," he told me. "There was nothing about education."

But Gibbs, which was owned by Career Education Corp., seemed to make things easy. When he called and mentioned he was a veteran with access to GI Bill funding, they told him to come in right away. The Gibbs recruiter told him that the school was placing graduates in jobs at Turbine and that financing an education there was manageable—government grants would cover some of the costs, and after Mike graduated he would have government student loans amounting to about \$130 a month.

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The Gibbs recruiter hadn't made clear the whole story. When Mike signed up, in addition to low-interest government-guaranteed loans, Gibbs committed him to take on what are called private loans—loans from the bank, at a much higher interest rate. That meant Mike's monthly payments upon graduation were going to be much, much more than \$130 a month. In addition, private loans, unlike most federal loans, can come with high initial origination fees, far less flexibility for deferred payment, and no loan forgiveness for choosing a lower-paying public service career.

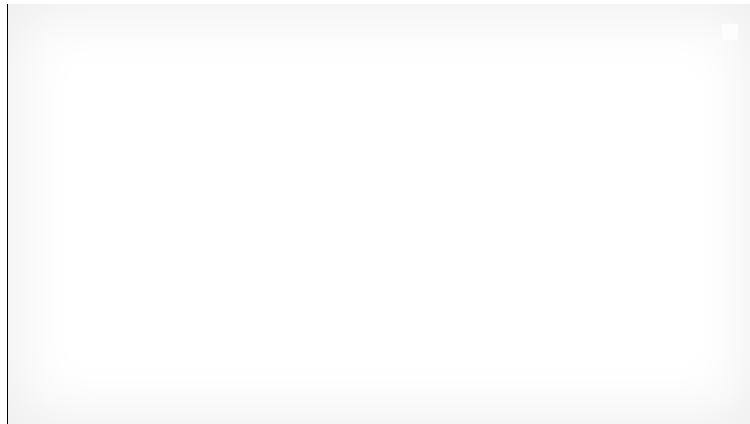
But Mike didn't understand any of that at the time. So he signed up. On top of his tuition, Gibbs sold Mike his class books, an art kit, and an Apple computer directly. He started taking classes, but after a while an instructor told him that he had been enrolled in the wrong classes—he was on a track for a graphic design degree, not the animation degree he wanted. Mike also noticed that some of the books Gibbs sold him, at prices around \$50, never got used in classes.

Gibbs also placed Mike in an internship. He had been told it would be a paid assignment with a local TV studio, but instead he was assigned, unpaid, to a wedding photographer. The guy had Mike doing his laundry, while he went off mountain biking with his girlfriend. Mike complained, but Gibbs did nothing.

Graduation day rolled around, and Mike's two-year associate degree was somehow not in animation but in graphic design. By now he was so frustrated that he skipped graduation and spent the day at his job at Shaw's supermarket, mopping the floors. He asked the school to change his degree to animation, but they wouldn't. He asked them to help him look for a job. "I tried a couple times," he says. "They never did." Except they set him up with an opportunity to apply for a job at Staples, a position that did not require his degree. Staples never gave him an interview. He applied to Turbine, but they never called him back.

So Mike found himself in fall 2005 unemployed and still living with his mother. He got his first student loan bill, and it was for \$130, as Gibbs promised. But then another monthly student loan bill arrived, and this one was for more than \$800. It was the private loan. Alarmed, Mike decided he better get his career back on track by earning a bachelor's degree. Some friends mentioned to him the New England Institute of Art. "That sounded like a real school," he said.

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But the New England Institute of Art is, in fact, another for-profit college, this one part of the Art Institutes chain owned by Education Management Corporation, or EDMC, which, in turn, is 41-percent owned by the giant Wall Street firm Goldman Sachs.

When Mike visited the Art Institute building, the EDMC recruiters put on a high-pressure show. They told him that the school had job leads into Turbine, Pixar, and others. They told him the school was selective, hard to get into, that it normally required a deep portfolio of work samples.

They "made me feel I wasn't good enough," Mike recalls. "They challenged my pride." Mike wanted to show them he could do it. He signed up.

But money, not learning, seemed to be the name of the game for the Art Institute and its owner, EDMC. When he signed up, EDMC explained to him that one of his loans was from Sallie Mae, "our preferred federal lender." Although Sallie Mae was indeed then in the business of issuing federal-guaranteed low-interest loans, it also

issued the more expensive private loans, and this, in fact, was what EDMC gave Mike. But to Mike, the federal and private loan notes looked the same—with the same Sallie Mae logo.

Soon after Mike enrolled, a financial aid staffer pulled him out of class and told him he had to sign up for an additional private loan right away, or else he couldn't return. So Mike signed. A Sallie Mae rep was on the speakerphone as this process unfolded.

Thinking that he better start looking ahead to job prospects, Mike began visiting the school's career services office. He found that many of the school's graduates ended up working in retail and that many of the school's job listings were simply copied from craigslist.

Mike started to believe he had been deceived and abused by both Gibbs and the Art Institute.

All those schools wanted, he concluded, was "bodies in the classes."

But Mike soon learned that he couldn't sue. When he enrolled, the schools had required him to sign agreements that any dispute would have to go to an arbitrator, not a court; arbitrators, private referees of legal disputes, are famous for usually siding with the companies that insist on arbitration—and that pay most of their fees. Mike had no idea he had signed his legal rights away.

His for-profit college course work did not get Mike a career in animation, or anywhere close. He did a series of short-term and temp jobs—at Target and elsewhere. But he wasn't earning nearly enough to pay back his loans. Because after he dropped out, Mike learned "the true damage" of his experience: Between Gibbs and the Art Institute, he now owed at least \$83,000 in student loan debt, perhaps as much as \$95,000. "I've never been able to figure out the exact amount," he says.

Mike defaulted on his loans. Collection agencies went after him. His wages were garnished. "Garnishments don't take into account need—things you need to live on, like food," he says. The pressure of overwhelming debt "makes you feel like scum."

Of the private loans the schools instructed him to take, Mike says, "They knew these loans would go bad," that many students will default, never pay them back. But these companies need students to take out these private loans, because federal law prohibits for-profit colleges from obtaining more than 90 percent of their revenue from grants and loans provided by the U.S. Department of Education.

The principle behind this "90/10 rule" is that if a school cannot convince students, employers, and private scholarship funds to cover even 10 percent of student costs, then the school must not be providing valuable services. But predatory for-profit colleges can't be bothered to strive to earn outside revenue through quality programs, so they simply raise their prices to be higher than the federal aid available and make students pay the rest through private loans.

Additionally, for-profit colleges need to sign up as many veterans as they can, because under federal law, Department of Defense and Veterans Affairs student grants, like the ones Mike received, don't count toward this 90 percent aid limit, either. As a result, wrote Holly Petraeus, who directs service member affairs at the federal Consumer Financial Protection Bureau, some for-profit colleges "see service members as nothing more than dollar signs in uniform."

The persistent recruiting pays off: The top seven recipients of federal GI Bill education aid are all for-profit colleges—in order of cash taken in, the University of Phoenix, EDMC, ITT Tech, DeVry, Career Education Corp., Strayer, and Corinthian, with Kaplan at No. 9. The University of Phoenix and others have outposts on or adjacent to military bases, like the one where Mike served, and their recruiters are an aggressive presence in the lives of our active-duty troops. Yet the results for many service members and vets are often disastrous.

In October 2013, the Federal Trade Commission, or FTC, warned veterans that some for-profit colleges “manipulate the data or lie about how well their graduates fare.”

The FTC said it was “advising servicemembers, veterans, and their families that some for-profit schools may be more interested in gaining access to their post 9/11 GI Bill benefits than helping them fulfill their education goals. ... Some for-profit schools may stretch the truth to encourage enrollment, either by exerting pressure on servicemembers to sign up for unnecessary courses or to take out loans that might be a challenge to pay off.”

“These aren’t colleges,” Mike says. “They’re debt factories. They’re slumlords of the college world.”

I have spoken with or read written complaints from hundreds of for-profit college students from across the nation, of all different ages and backgrounds. Some went to EDMC or Career Education Corporation schools, while others attended colleges and universities run by the University of Phoenix, DeVry, Kaplan, Corinthian, ITT Tech, Bridgepoint, or other companies.

Once they expressed any kind of interest—online, in person, or on the phone—in getting a degree, they were heavily recruited by for-profit colleges, sometimes receiving five or more phone calls in a single day. The recruiting pitches were coercive, preying on students’ fears, and deceptive, with the costs of a degree substantially understated and the prospects for a well-paying job dramatically overstated. Once the students were hooked, the schools pushed private student loans, without explaining that these loans are far more expensive than federal loans.

And as a result, these students are often left \$20,000, \$50,000, \$100,000, \$130,000, or more in debt, with no improvement in their career prospects. A remarkable number of the written student complaints I have reviewed conclude with an identical phrase: “Please help.”

The for-profit colleges are not the only ones responsible for this state of affairs. The flipside of their relentless, deceptive, and coercive pursuit of prospective students is that they are, for these students, often the only people who seem to care. For a broke single mom or anguished returning veteran, for-profit college recruiters are people listening to them, offering them a chance.

The local community college, facing year after year of tight budgets, is often in the business of turning students away, not welcoming them in. There just isn’t enough room. They have few marketing and recruiting efforts. There are far too few evening classes to meet the needs of working adults. Moreover, community colleges frequently come up short in offering the kind of program that many of these students are seeking—not Shakespeare, but hands-on training to be a nurse’s aid or electrician. The whole system—high schools, public colleges, private industry—now fails to offer enough students, especially low-income students, a path to training for such careers. So the for-profit colleges have stepped into the breach. But many of the for-profit colleges, in the end, deliver the opposite: weak programs, astronomical prices. And that’s how they destroy their own students’ lives.

Excerpted from [Stealing America’s Future: How For-Profit Colleges Scam Taxpayers and Ruin Students’ Lives](#), by David Halperin, published by [RepublicReport.org](#). © 2014 by David Halperin. All rights reserved.

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