

Colleges Sanctioned by the Government

A number of well-known colleges have gotten in trouble with the government for promising more than they deliver. Scroll down to learn more.

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While most schools follow the rules, many have been investigated for aggressive recruiting practices, misuse of federal student aid and high student loan default rates. In some cases, this has resulted in settlements and even school closures. Which schools are in hot water? Read on to find out.

Federal Investigations Into For-Profit Schools

For-profit schools often use high-pressure sales tactics to convince students to enroll in their programs. Promising flashy job titles and high salaries, students are encouraged to sign on the dotted line with little to no research into costs and program outcomes. Schools with these aggressive recruiting practices are often not strong choices for students; in most cases, they offer expensive programs that turn into massive student debt. Many students never graduate, and few ultimately find gainful employment as a result of the education they received. A great number end up in default on their student loans.

2010 GAO Report

This poor value in education caught the attention of the U.S. Senate in 2010, sparking an investigation by the Government Accountability Office (GAO) into the use of \$24 billion in federal dollars by for-profit schools. This investigation found evidence of [deceptive tactics and fraud at several for-profit colleges](#), many of them online schools. (One thing to note – the initial report was subsequently found to have a [number of significant errors](#).)

Tactics revealed by the [GAO investigation](#) include:

- Federal aid fraud, encouraging students to submit false information on federal financial aid applications.
- Providing prospective students with deceptive information about a college, including accreditation, graduation rates, salary and employment prospects and the duration and cost of a program.
- Pressure to enroll on the spot without considering costs or alternatives to a program.

Student costs and outcomes at these schools were similarly troubling:

- More than half (54 percent) of students leave for-profit schools without a degree or certificate.

- The costs of associate degrees and certificate programs at for-profit schools average four times the costs of comparable programs at community colleges, and bachelor's degree programs at these schools cost an average 20 percent more than similar programs at public universities.
- Even if they don't earn a degree, 96 percent of students at for-profit colleges take out student loans and leave school with debt.
- One in five students at for-profit schools will default within three years of beginning to repay their student loans.

2012 Senate HELP Report

The original GAO report was followed soon after by Tom Harkin's [Senate HELP Report](#), a two-year investigation into the for-profit higher education industry. This report found that:

- 15 of the largest for-profit colleges received 86 percent of their revenue from federal student aid programs.
- The largest 15 for-profits spent 23 percent of their budgets (\$3.7 billion) on some type of recruitment and only 17 percent on academic instruction. Non-profit colleges, in contrast, spent less than one percent of their revenue on marketing.
- For-profit schools were deploying recruitment teams at veteran hospitals and wounded warrior center in order to enroll students. According to investigators, these recruiters misled or lied to service members about military benefits, claiming benefits could cover the full cost of tuition.

2014 Gainful Employment Regulations

The GAO and Senate HELP reports prompted a series of lawsuits and government actions. In October 2014, the Department of Education instituted a new set of rules for colleges and universities. Called the Gainful Employment Regulations, these rules require schools to track their graduates' debt and post-degree employment in order to prove that programs are meeting federal guidelines.

Specifically, schools are required to show that a typical graduate's estimated annual loan payment does not **exceed 20 percent of his or her discretionary income** or **8 percent of total earnings**.

Schools that exceed these levels risk losing federal funding. Programs that produced graduates with loan payments surpassing 30 percent of discretionary earnings or 12 percent of total earnings would be labeled as failing. Programs that failed in two out of three consecutive years or landed in the danger zone for four consecutive years would then be ineligible for aid.

Since for-profit schools account for 44 percent of all federal student loan defaults and 90 percent of revenue at for-profit institutions comes from federal funding, these regulations have hit for-profit schools hard. In response, some for-profit schools have moved to turn themselves into non-profits.

2015 Students Before Profits Act

One of the most recent federal moves against for-profit schools is the [Students Before Profits Act](#). This bill was introduced in September 2015 by Senators Chris Murphy of Connecticut, Elizabeth Warren of Massachusetts, and Dick Durbin of Illinois. Its goal is to protect students from deceptive practices and bad actors in the for-profit college sector by:

- Ensuring students have access to accurate information.
- Holding executives and owners responsible for violations and poor performance.

- Enhancing civil penalties on institutions and executive officers if it is determined that the college misrepresented its cost, admission requirements, completion rates, employment prospects, or default rates.
- Strengthening oversight and regulation, including the oversight of any default rate manipulations.

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Under the terms of this bill, owners and executives of for-profit colleges would assume liability for financial losses associated with Title IV funds. The Department of Education would be able to pursue claims against these groups after discharging borrowers' students loans.

For-Profit Schools Sanctioned by the Government

Misleading sales tactics are troubling, but relatively simple to avoid with adequate research from independent sources. Financial controversies, on the other hand, are much more complicated, and can be confusing for students. To give you a clear idea of which schools are in trouble, we've taken the list of schools that were part of the 2010 GAO investigation and outlined subsequent developments.

American InterContinental University and Colorado Technical University

AIU and CTU are brands of the Career Education Corporation, which was found by the GAO to have deceptive recruiting tactics, misrepresentation of job placement rates, and high rates of student loan default and student withdrawal.

In [August 2013](#), Career Education Corp. reached a \$10.25 million settlement with the New York Attorney General. The Attorney General's investigation revealed misleading advertisements, including inflated job placement statistics.

Over the course of the next few years, Career Education Corporation experienced declining enrollment numbers and profits. In May 2015, it announced it was closing or selling all of its career colleges, but would continue to operate the universities.

American Military University/American Public University

AMU and APU fared well in the GAO investigation, with better retention rates and lower tuition than others examined.

Anthem College

Anthem's high student default rates were identified in the GAO report, calling into question whether graduates are able to find employment or earn salaries that allow them to repay student loan debt. In 2014, Anthem Education filed for Chapter 11 bankruptcy protection and shuttered its schools.

Argosy University

Argosy is a brand of Education Management Corporation, which was found to have high withdrawal rates, as well as questionable federal financial aid practices in the GAO report.

The university became the subject of a large civil claims suit in [December 2013](#). Argosy's parent, the Education Management Corporation (EDMC), was forced to pay \$3.3 million in restitution and fines for deceptively marketing its education in counseling psychology program. EDMC, however, was not required to admit liability.

As of [May 2015](#), Argosy's parent company was the subject of pending investigations from the U.S. Department of Justice and at least a dozen state prosecutors.

Ashford University

The GAO report found Ashford had problematic recruiting practices, low spending on academic instruction and no job placement services. Problems have piled up in subsequent years.

In [January 2011](#), Ashford was the subject of an audit on its finance and recruiting practices by the U.S. Department of Education. The audit showed that Ashford failed to return more than a million dollars in federal aid that was awarded to students who eventually withdrew.

Two years later, in [July 2013](#), Ashford was investigated by the California Attorney General's office, which ordered the university's parent company, Bridgeport Education, to produce thousands of records in an study of false advertising complaints.

In 2014, it agreed to pay \$7.25 million in order to settle claims that recruiters lied or made misleading statements to Iowa students interested in enrolling for online classes in teacher education. As of [May 2015](#), its parent company, Bridgepoint Education Inc., was under investigation by four state attorneys general.

Capella University

According to the GAO report, Capella had a high withdrawal rate among students in bachelor's degree programs, and spent an usually high percentage of its revenue on marketing.

In [March 2008](#), Capella was also the subject of an Education Department audit, which revealed that the school overcharged lenders and this department by over a half million dollars. The inspector general's audit revealed mistakes in calculation of student eligibility for federal loans, as well as failure to return funds granted on behalf of students who withdrew from their courses.

Chancellor University

The GAO report noted that Chancellor had aggressive recruitment practices and high-cost programs, but spent an above-average amount per student on instruction and showed encouraging numbers for student outcomes with a lower than average student loan default rate. It was closed in August 2013.

DeVry University

DeVry had a high tuition cost and low retention rates, but for the students who remained, outcomes appeared to be positive. The GAO investigation revealed relatively robust student services and better controls on recruiting practices than many other for-profit schools, as well as promising workplace-based programs.

However, in 2014, DeVry became the subject of investigations by attorneys general in Illinois and Massachusetts. It was also named in a 2013 San Diego lawsuit that alleged officials bribed students and violated federal regulations.

As of [May 2015](#), DeVry was facing investigations from three state prosecutors and an ongoing probe from the FTC on its advertising, marketing, and sales practices.

[ECPI University](#)

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The GAO noted that on-campus students appeared to have positive outcomes, but online students were not doing as well, with many students unable to make payments on student loans.

Everest College

Everest was a brand of Corinthian Colleges, Inc., which had one of the highest student withdrawal rates of all schools examined by the GAO: 67 percent of students in associate degree programs withdrew. The college also had a very high rate of student loan defaults, with 36 percent of students defaulting on their loans.

In 2013, Corinthian Colleges was subject to investigations by both the Securities and Exchange Commission (SEC) and the U.S. Consumer Financial Protection Bureau (CFPB). The CFPB subsequently filed a lawsuit against Corinthian in 2014. This led to a fine of almost \$30 million by the U.S. Department of Education. Corinthian closed its doors and filed for Chapter 11 bankruptcy protection in May 2015.

Henley-Putnam University

Henley-Putnam had little information to offer the GAO, but the investigation revealed troubling staffing numbers. While Henley-Putnam employed seven recruiters, it had only four staff members for student services, and none for career services. In addition: "Since this company does not participate in Title IV Federal financial aid programs, it is exempt from consumer protections and all measurements of student progress—from basic enrollment numbers to student default rates—required by the Department of Education."

Herzing University

Herzing had better withdrawal rates and recruiting tactics than many of the other schools that were investigated, but the GAO recommended that the school focus more on improving student outcomes than prioritizing growth. In January 2015, Herzing University converted to non-profit status.

ITT Technical Institute

ITT offered some of the most expensive online degree programs of all schools in the study, and had a high rate of student loan default. In subsequent years, ITT's parent company, ITT Educational Services (ESI) has been the subject of numerous investigations and lawsuits.

It was [sued in February 2014](#) by the Consumer Finance Protection Bureau (CFPB) for using high-pressure tactics to persuade students to take out high-interest private loans. In [September 2015](#), ESI disclosed that it was the subject of a probe from the Department of Justice, only a few months after the SEC filed fraud charges against current and former ITT executives. In May 2015, the state of California suspended its GI Bill eligibility.

Kaplan University

Kaplan was one of the worst investigated by the GAO, with 69 percent of students in bachelor's degree programs withdrawing, and rising default rates. The GAO report indicated that Kaplan initiated significant reforms to increase student success, and was working to reduce debt and default rates among students.

Nevertheless, in 2015, Kaplan was forced to [settle a suit](#) with the U.S. Department of Justice regarding the hiring of ill-qualified instructors (Kaplan admitted no liability). And, as of [May 2015](#), Kaplan's parent, Graham Holdings Co., was under investigation by at least three state prosecutors.

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Keiser University

Keiser was found to have a high cost of tuition, and high rates of withdrawal and student loan default. The GAO also recommended that the school's decision to move to non-profit status should be examined further.

In [July 2014](#), Keiser was the subject of an unsuccessful \$4 billion lawsuit alleging that the college sought federal and state funding, despite non-compliance with the appropriate regulations. In [2015](#), the Keiser family sold its 15-campus university to a non-profit it had created.

Lincoln College Online

Lincoln's programs cost more than twice as much as comparable programs at local community colleges, and the school offered little in the way of student services. The college's student retention and default rates are among the worst of the schools examined by the GAO.

In [October 2014](#), Lincoln Educational Services's for-profit schools in Massachusetts became the subject of an investigation from the state attorney general. Less than a year later, in [July 2015](#), Lincoln and Kaplan Career Institute were forced to pay former students \$2.3 million after the schools were accused of inflating job placement numbers and using unfair recruitment tactics. Many of Lincoln's on-site campuses have closed.

National American University

NAU had better retention rates than other schools, but was found to have a low amount of spending on instruction per student.

Rasmussen College

Rasmussen had costly programs, and more than 63 percent of students did not graduate. In 2012, Tom Harkin's Senate HELP report noted that this figure had remained constant. Many of these students withdrew after only five months of study.

Remington College

Remington converted to a non-profit school in 2011, but the GAO's report suggests that this move may have served, at least in part, to skirt the regulations placed on for-profit schools. Remington had higher retention rates than other for-profit schools, but its student loan default rates were high.

Strayer University

Strayer appeared to have passed the test, with the GAO report indicating that the university had better rates of retention, as well as better controls on recruiting practices and stronger student services than the other schools that were investigated.

On the other hand, thanks to federal measures such as the gainful employment regulations, Strayer experienced a 65 percent drop in enrollment from [2010-2015](#).

Trident University

Trident had lower tuition, withdrawal rates and default rates than other schools investigated, but it spent little on instruction per student. TUI was also placed on probation by its accrediting agency.

From 2010-2013, Trident failed a series of financial responsibility tests. As a consequence, the U.S. Department of Education decided to place Trident on "HCM-Cash Monitoring 1" status in 2015.

University of Phoenix

University of Phoenix was found by the GAO to have prioritized financial success over student outcomes, with low spending in instruction per student and a 66 percent withdrawal rate among students in associate degree programs.

In [November 2009](#), the University of Phoenix's parent company, resolved a 2004 U.S. Department of Education investigation by settling for \$10 million. Regulators accused the university of making recruiter pay dependent on enrollment numbers. The Apollo group settled for \$78.5 million when a whistle-blower made allegations of enrollment-based recruiter incentives.

In [October 2010](#), the University of Phoenix lost a \$10 million lawsuit with the Oregon Attorney General for poor financial practices. The lawsuit charged that University of Phoenix misled investors, and failed to follow federal student loan protocol, which in some cases led to improperly canceled student loans.

In [2013](#), it was sanctioned by the Higher Learning Commission, due to concerns regarding student assessment, governance and faculty scholarship and research for the school's doctoral programs. Under this sanction, the university got to keep its accreditation, but had to submit reports to the agency on a regular basis.

As of [May 2015](#), the university's parent company, Apollo Education Group Inc. was the subject of at least two investigations by state attorneys general. In [July 2015](#), the FTC announced that it had issued Apollo a "Civil Investigative Demand," and would be looking into the use of potential deceptive advertising, sale or marketing of Apollo's services to students.

Vatterott College

GAO investigators found that Vatterott had good student support services and below-average withdrawal rates, but still had high student loan default rates.

In [June 2013](#), Vatterott was forced to pay a former student \$13 million in damages for misleading her about job placement and salary expectations.

Walden University

Walden appeared to do well in the GAO report, with better rates of retention than other for-profit schools, and more investment in student services. Still, instructional spending was low, and the university had aggressive enrollment goals.

In [January 2015](#), Walden became the subject of a class action lawsuit from students alleging systematic prolonging of the thesis and dissertation process. That lawsuit has since been settled, with the students re-enrolling at Walden to finish their degrees.

Westwood College

Westwood, a brand of Alta Colleges, Inc., was one of the most expensive schools investigated by the GAO, but it put in place reforms to help students understand of the cost and outcome of a Westwood degree.

However, over the years, the college has repeatedly hit by lawsuits. In [April 2009](#), Alta Colleges Inc., the parent company of Westwood College, paid \$7 million to the federal government to settle allegations of student aid fraud. The lawsuit alleged that Westwood made false claims, misrepresenting compliance with state licensing requirements required to receive federal aid.

In [March 2012](#), Westwood paid out millions of dollars over a Colorado case that alleged the college misled its students (the college did not admit liability). This occurred around the same time Lisa Madigan, Illinois Attorney General, [filed a lawsuit](#) alleging that Westwood misled its criminal justice students about job opportunities. Specifically, the lawsuit alleges that students of the criminal justice program at Westwood were not informed that law enforcement agencies like the Chicago Police and Illinois State Police don't recognize the school's degrees.

Other For-Profit Schools in Hot Water

The GAO investigation is just the largest among many studies and lawsuits against colleges with deceptive sales tactics. Countless for-profit universities have come under fire from state attorneys general and other authorities.

Ashworth College

In [May 2015](#), Ashworth had to settle charges from the FTC that the college had misrepresented information on training, credentials, and transferring course credits. Jessica Rich, director of FTC's Bureau of Consumer Protection, noted: "When schools promise students they can transfer course credits or get a better job after completing their programs, they'd better be able to back up those claims." However, the FTC had to suspend the \$11 million fine due to Ashworth's inability to pay.

Centura College

Centura is the online division of Tidewater Tech, a school that failed to meet federal standards for cohort default rates in [September 2012](#). (The Department of Education bans colleges from receiving federal student aid if their two-year default rates are 25 percent or higher for three consecutive years, or 40 percent or higher in one year.)

Ellis University & The Cardean Learning Group

In [January 2013](#), NYIT, which partnered with the Cardean Learning Group to create Ellis University, paid a \$4 million settlement in a lawsuit filed by the Education Department's inspector general and the U.S. Attorney General for the Southern District of New York. The lawsuit claimed that Ellis University paid recruiters based on how many students they were able to enroll.

Ivy Bridge College

In [August 2013](#), Ivy Bridge – a joint venture between Tiffin University and Altius Education Inc. – became the subject of a Justice Department investigation to determine if the school violated federal student aid rules. The Justice Department investigated Ivy Bridge's recruiting practices, academic integrity and student loan policies. The college was closed that same month.

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National College

In [September 2011](#), National College was sued by the Kentucky Attorney General for misrepresentation of graduate job placement numbers.

Steps to Take to Avoid Becoming a Victim

Financial aid is already a complicated matter, requiring an overwhelming amount of paperwork and calculations. Schools involved in financial fraud, lawsuits, or accreditation controversies should be the least of your worries. When you're searching for degree programs, be aware that some for-profit schools have misrepresented what they truly offer, and may even engage in high-pressure sales tactics to encourage students to enroll in their programs.

Avoid making quick decisions and perform independent research before committing to any particular school or program:

Step 1: Look up your school on the U.S. Department of Education's [College Scorecard](#). Each entry includes statistics on graduation rates, typical federal loan debt for undergraduate borrowers and the percentage of students who are paying off that debt.

Step 2: Check if your school is accredited or has accreditation issues. We talk about diploma mills, regional vs. national accreditation and the accreditation process in [Accreditation: Understanding the Difference Between Real Schools and Diploma Mills](#).

Step 3: Find out more about your school's long-term prospects. Resources like [College Navigator](#), [U.S. News & World Report](#) and the [U.S. Department of Education's College Affordability and Transparency Center](#) have an unbiased view of what an school has to offer.

Schools with questionable financial practices often appear in lawsuits or investigations with the Department of Education, Justice Department and state attorneys general. [College Navigator](#) also provides cohort student loan default rates, revealing schools that may soon lose federal aid eligibility.

Why Accreditation Matters

[Accreditation](#) is paramount. Schools that fail to meet quality standards may no longer be recognized by their accrediting agencies, leaving students with a degree or course credits that are not considered valid by other

educational institutions, financial aid organizations and employers. Several schools have been put on probation or have entirely lost their accreditation, leaving students with a shaky future.

Students can reduce their risk of this scenario by identifying schools that a long history of accreditation and strong foundational data, including a graduation rate above 50 percent and a default rate below 25 percent, the lower the better.

For every school that has been the subject of sanctions, investigations, and lawsuits, there are several more that offer a high-quality education that can be trusted. Non-profit, regionally accredited schools **as a group** tend to have a better record. However, just because they're technically "not-for-profit" doesn't mean they don't care about profit, and it doesn't mean you don't have to fact-check what their admissions personnel tell you about the value of their degrees.

The best way for you to ensure a happy outcome for yourself in any college search is to be an informed consumer and do a lot of research. Like the old Russian proverb (and Ronald Reagan) said, "trust, but verify."

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