


Private For-Profit Colleges: Are They a Good Deal, or a Path To Bankruptcy?

What to Know Before You Enroll

What are Private For-Profit Colleges?

- ▶ For-Profit Colleges and Universities are postsecondary institutions that offer an array of educational options from small vocational programs to traditional degree programs.
 - ▶ They differ from their public counterparts in that they are managed and governed by private organizations and corporations.
 - ▶ They differ from their non-profit counterparts in that they are operated for the purpose of making a profit.
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For-Profit Colleges Can Offer Valuable Benefits:

- ▶ Flexible Schedules that may help students manage work and family obligations while attending school
- ▶ Shorter Programs which allow students to obtain their certificate or degree more quickly
- ▶ Online options & innovation provide opportunities for non-traditional students
- ▶ Capacity in an environment where community colleges and other postsecondary institutions are filling to capacity




However...

- ▶ Unlike non-profit and public educational institutions, for-profits have an obligation to maximize profits for their shareholders.
- ▶ This obligation presents a potential conflict with the objective of increasing access to a quality higher education
- ▶ “Internal company documents provide examples of tuition increases being implemented to satisfy company profit goals, that have little connection to increases in academic and instruction expenses...”
(Senate HELP Committee – 2012)



For Profit...

- ▶ For-Profit Colleges should succeed when students succeed given that their primary service is education.
Quality should = Profitability
 - ▶ The reality, however:
 - (2010) For-profit colleges employed 2.5 recruiters for each support services employee (i.e. career services, support staff...)
 - Among 2-year Associate's Degree candidates – more than 63% departed without a degree
 - For-Profit Colleges account for 13% of the nation's student population and 47% of student loan defaults
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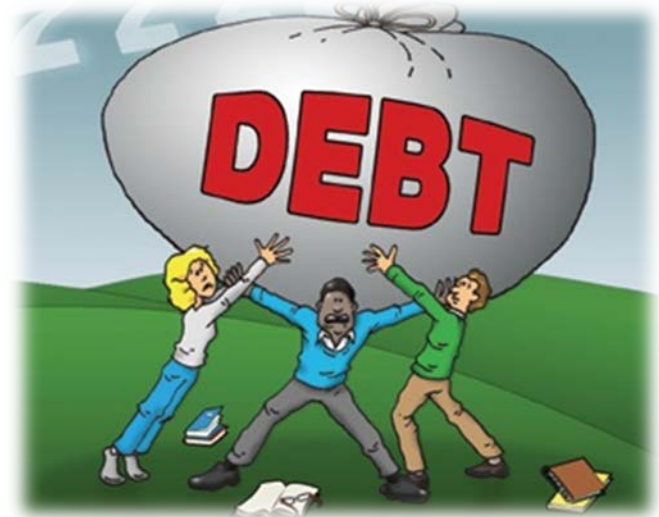
Misleading Students

- ▶ A recent Congressional Report (2012) revealed that many for-profits have used tactics that **mislead prospective students** with regard to:
 - The cost of their program
 - The availability and obligations of Federal aid
 - The time to complete their program
 - The completion rates of other students
 - The job placement rate of other students
 - The transferability of credits, or
 - The reputation and accreditation of the school



Expense and Student Debt

- ▶ For-Profit Colleges are often far more expensive than their public counterparts
 - Bachelor's degree programs average **20 percent** more than the cost of comparable programs at flagship public universities
 - Associate degree programs averaged **four times** the cost of degree programs at comparable community colleges
 - Certificate programs similarly averaged **four and a half times** the cost of such programs at comparable community colleges.
- ▶ For-profit colleges rarely set tuition below available Federal student aid.
- ▶ As a result, students who attend for-profit colleges often take out sizable loans to help pay the high tuition at for-profit colleges.



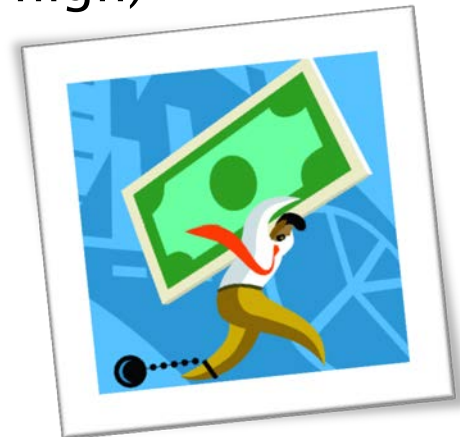
Worth it?

- ▶ Several recent studies, including major Congressional reports (the HELP Reports, which examined 16 large for-profits) have revealed that many students who attend for-profit colleges experience disastrous outcomes:
- ▶ **High withdrawal rates:**
 - Of the students who enrolled in 2008–2009, 54 percent had left without a degree by the middle of 2010 (HELP Report)
 - Bridgepoint College has a withdrawal rate of 84%; Lincoln College, 70%; Kaplan College, 69%; and Corinthian Colleges, 67%

Worth it?

► High student loan debt:

- Among students who earn Bachelor's degrees, the median debt at graduation for students at for-profits is **\$31,190**, compared with **\$7,960** at public and **\$17,040** at private nonprofit institutions
- The debt students incur to attend for-profits often requires payments in excess of anything students can afford working in the careers for which the for-profit programs trained them. (debt to income rates at far too high)



Worth it?

- ▶ **High rates of student loan default by graduates:**
 - In 2011, for-profit college students comprised of **13% of student borrowers** and **47% of defaulters**.
- ▶ **Inability to transfer credits:**
 - Often, credits earned at a for-profit will not transfer to other colleges. There have been several instances, reported by the GAO and others, in which students are misled about the transferability of their credits.




What to Know Before You Enroll



- The Law
- The Facts
- Your Rights
- Available Resources

What stands out?

As you watch the following ads, also answer these questions:

- 1. How long would you expect to have to attend to earn an Associate's Degree? A Bachelor's?**
 - 2. How much would you expect to pay?**
 - 3. Would you expect to take out student loans?**
 - 4. Would you expect to get a job after graduating?**
 - 5. Where would you go to get information about enrolling in this school?**
 - 6. Where would you go to get information about the graduation rates, job placement rates, cost, and average loan debt at this school?**
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Advertisements

- ▶ University of Phoenix
- ▶ Everest
- ▶ ITT Tech
- ▶ UTI



The Law in California



► Recent Legislation in California:

- 2009: California Private Postsecondary Education Act
- 2012: AB 2296 (Block)


► Oversight Body:

- California Bureau of Private Postsecondary Education (BPPE) is tasked with overseeing California's Private Postsecondary institutions

School MUST Provide Students (*prior* to enrollment)

- ▶ School Catalog w/the following disclosures:
 - Statement specifying whether the institution, or any of its programs, are accredited by an accrediting agency recognized by the U.S. Dept. of Education
 - If the institution is unaccredited, or offers a degree program that is not accredited, the statement must disclose the “known and specified limitations” of the degree program

School MUST Provide Students (*prior* to enrollment)

- ▶ **School Performance Fact Sheet** – Including:
 - Job Placement Rate
 - License examination passage rates for the immediately preceding two years for programs leading to employment for which passage of a state licensing examination is required
 - Salary or Wage Information
 - Most Recent 3–Year cohort default rate for federal student loans reported by the U.S. Department of Education
 - Percentage of students receiving federal student loans (if the institution participates in federal financial aid programs)
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School Websites

- ▶ Schools MUST Provide on their Websites:
 - School Catalog
 - School Performance Fact Sheet for each educational program offered by the institution
 - Student Brochures offered by the institution
 - Link to the BPPE's website (must be included anywhere the institution identifies itself as approved by the BPPE)
 - Institutions most recent annual report submitted to the BPPE




Enrollment Contract

► MUST include:

- Information about the school's total costs for the contracted-for course of instruction
- A list of the charges that are non-refundable
- The name and description of the program of instruction
- The total amount of classes or hours needed to complete the program
- Payment schedules
- Cancellation and refund policies
- Information about how to contact and file a complaint with the BPPE
- MUST NOT contain any provision that requires a student to invoke internal institutional dispute procedure before enforcing any contractual or other legal rights/remedies

Enrollment Contract


- ▶ **MUST include the following statement:**
 - “Prior to signing this enrollment agreement, you must be given a catalog or brochure and a School Performance Fact Sheet, which you are encouraged to review prior to signing this agreement. These documents contain important policies and performance data for this institution. This institution is required to have you sign and date the information included in the School Performance Fact Sheet relating to completion rates, placement rates, license examination passage rates, salaries or wages, and the most recent three-year cohort default rate, if applicable, prior to signing this agreement.”
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Investigate the school BEFORE enrolling



- ▶ Interview students in the program, or take a tour of the school.
- ▶ Ask if the school will let you sit in or observe the class or course that you are interested in before enrolling
- ▶ Get a copy of the student catalog
- ▶ Get a copy of the enrollment agreement to review terms, conditions, costs & disclosures
- ▶ Contact the accrediting agency from which the school claims to have accreditation

Investigate...

- ▶ REVIEW all advertising carefully and compare what is disclosed in the school's catalog & course syllabus
 - ▶ Request to see the school's graduation & job placement rates
 - ▶ MAKE SURE you know the amount & types of financial aid you will need BEFORE you enroll
 - ▶ GET EVERYTHING IN WRITING
 - ▶ KEEP COPIES OF ALL DOCUMENTS
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Watch for Red Flags

- ▶ Make sure the school *is accredited* – and look for program limitations if it is not

- ▶ **Default Rates**: Look at the default rate, if it is over 10% – that is a red flag. It may indicate that:
 - 1) Students are not getting jobs with a salary high enough to pay back loans OR
 - 2) Students are dropping out at high rates with high debt and are unable to find sufficient employment.
 - *Compare default rate with other schools.*

Red Flags

- ▶ Make sure the credits *are transferable*
- ▶ Look at the *graduation rate*. Compare it with similar programs.
- ▶ Look at *salary and wage information*. Even if it looks high, consider how much you will have to pay to service your student loans. It *should NOT be over 8% of your annual income*...and that may even be high, if the job does not pay well.
- ▶ If something does not sound right, *trust your instincts* and ask more questions, do your research. (see resources worksheet)

Know Your Rights

- ▶ If you have an issue at a for-profit school:
 - Try to resolve your problem with the school
 - Make certain that you *keep records of everything*: always note where, what, when, who, and how. Keep a file with notes and paperwork.
 - Keep all of your paperwork re: enrollment and financial aid. Anything you sign or read when you are enrolling and signing up for financial aid, keep it. Even if you don't anticipate having problems
 - **CONTACT THE BPPE AND FILE A COMPLAINT.**



M.J.'s Story

- ▶ M.J. will share his experience with a for-profit college in Los Angeles and he will share his advise for others facing the same decisions he did.

Important Resources

▶ Bureau for Private Postsecondary Education:

<http://www.bppe.ca.gov/>

- List of BPPE–approved schools
- File a complaint
- Find annual reports and performance sheets for approved schools

▶ U.S. Department of Education:

<http://www.ed.gov/>

- Student loan information
- Grant information
- Information on school accreditation



Important Resources

- ▶ Harkin Committee For-Profit Colleges: Investigation information
<http://www.harkin.senate.gov/help/forprofitcolleges.cfm>
 - Read about Congressional investigation of for-profit colleges
- ▶ GAO Report on for-profit colleges investigation:
<http://www.gao.gov/products/GAO-10-948T>
 - Government Accountability office undercover investigation of for-profit colleges

Important Resources

- ▶ Search school cohort default rates:
<http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr2yr.html>
 - Search engine: 2- and 3- year cohort default rates
- ▶ Compare graduation rates:
http://collegecompletion.chronicle.com/state/#state=ca§or=public_four
- ▶ Accreditation Agencies:
<http://www2.ed.gov/admins/finaid/accred/index.html>
 - Learn about the agencies that accredit colleges
 - The college's information should indicate from which agency its accreditation comes

Questions?



Children's Advocacy Institute: Contact Information

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