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To: State Authorizing Agencies, Attorneys General, and Other Interested Parties
From: Angela Perry of The Institute for College Access and Success (TICAS) & Sam Gilford of Student Defense
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Subject: The Risk to Students in the Wake of COVID-19 and Red Flags that Authorizers Should Watch For

The coronavirus pandemic has upended nearly every facet of American life and every sector of our economy, and for tens of millions of current and prospective college students the crisis has forced a massive rethinking of longstanding education plans. The effects of those changes will be long-lasting, and without swift action to protect students, they could be devastating—especially for the low-income students and students of color who are already bearing the brunt of this pandemic. State Authorizers must act to protect students wherever possible.

The effects of a severe economic contraction on college students are not hard to foresee. Previous recessions have taught us that when the economy stalls and unemployment rises, more students enroll in higher education.¹ This was the case during the “Great Recession” of 2007-2009, which also came on the heels of significant federal deregulation of for-profit schools at the federal level.² Fueled by aggressive recruiting of vulnerable individuals with too-good-to-be-true promises, for-profit colleges experienced double-digit annual increases in enrollment at a time when institutions were under reduced scrutiny.³ In turn, this resulted in spikes in student loan defaults, numerous government investigations of colleges’ wrongdoing, and a number of school closures.

The early parallels to the current situation, in which an economic recession triggered by COVID-19 follows the federal governments’ weakening of rules on accreditation, gainful employment, borrower defense, and state authorization, foreshadow the need for heightened scrutiny.⁴

Students at for-profit colleges are less likely to graduate and more likely to have significant debt and default on their loans, compared to their traditional 4-year-degree counterparts.⁵ Predatory colleges have historically preyed on the poorest students, and for-profit programs disproportionately serve low-income individuals.⁶ The most vulnerable students - including veterans, foster youth, students of color,

¹ Stef W. Knight (Sep. 15, 2018). “How the Great Recession Fueled For-Profit Colleges.” Axios. Available at: <https://www.axios.com/great-recession-for-profit-college-education-debt-d6d33ec8-b4ac-47ae-aeeb-c5e39a3a9447.html>.

² David Whitman (June 7, 2018). “The GOP Reversal on For-Profit Colleges in the George W. Bush Era.” The Century Foundation. Available at: <https://tcf.org/content/report/gop-reversal-profit-colleges-george-w-bush-era/>.

³ Stef W. Knight (Sep. 15, 2018). “How the Great Recession Fueled For-Profit Colleges.” Axios. Available at: <https://www.axios.com/great-recession-for-profit-college-education-debt-d6d33ec8-b4ac-47ae-aeeb-c5e39a3a9447.html>.

⁴ Andrew Kriehbaum (June 12, 2019). “Rewriting the Rule Book for College Accreditors.” Inside Higher Ed. Available at: <https://www.insidehighered.com/news/2019/06/12/trump-administration-issues-proposal-loosen-standards-college-accreditors>. Paul Fain (Nov. 1, 2019). “New Rules on Accreditation and State Authorization.” Inside Higher Ed. Available at: <https://www.insidehighered.com/news/2019/11/01/education-department-issues-new-regulations-accreditation-and-state-authorization>.

⁵ Peter Smith and Leslie Parrish (Oct. 2014). “Do Students of Color Profit from For-Profit College?” Center for Responsible Lending. Available at: <https://www.responsiblelending.org/student-loans/research-policy/CRL-For-Profit-Univ-FINAL.pdf>.

⁶ https://capseecenter.org/wp-content/uploads/2016/07/ForProfit_Nimble-Critters_Feb-2012.pdf.

and single mothers - are often targeted by predatory programs, bear a disproportionate risk, and suffer the consequences.⁷

Given states' key role in consumer protection, it is essential that state authorizers take steps to protect students and ensure that institutions are providing a high-quality, appropriately priced education, and not engaging in predatory behavior. Based on past trends in times of recession, we urge state authorizers to carefully monitor for red flags that could indicate problematic patterns at for-profit institutions, including:

Program cost increases. Programs seeking to substantially change the overall cost students pay for the program may be indicative of predatory behavior, or capitalizing on the crisis. Although colleges are all undergoing a period of transition, the cost of programs should not be increased unless it is commensurate with the value of the instruction and training provided. For-profit colleges already tend to be more expensive than their private non-profit or public counterparts, and graduates from for-profits have historically had much higher debt burdens and default rates. Programs seeking to increase costs significantly should be scrutinized to ensure the additional costs are warranted and enhance value to students.

Rapid changes in enrollment numbers. Institutions which grow swiftly, particularly when paired with low or declining retention rates, may indicate aggressive recruiting, poor quality, and student dissatisfaction. Looking back to the last recession, between 2007 and 2010 the number of students enrolled at Corinthian Colleges jumped nearly 70 percent, from 67,445 to 113,818 students. Yet half of all students enrolled in 2009 had withdrawn by 2010, after having been enrolled for just three months prior to withdrawal, raising alarm bells about both the colleges' recruitment practices and program quality.⁸ Additionally, rapid enrollment decline may indicate that schools are at risk of sudden closure. These trends can serve as warning signals that students may be at risk.

Predatory recruiting practices. Predatory institutions have historically used aggressive recruiting techniques including guaranteeing jobs to their graduates, advertising extremely high job placement rates during challenging economic times, making misleading claims about financial aid,⁹ utilizing high pressure sales tactics,¹⁰ and creating the illusion of government or military

⁷ Rajashri Chakrabarti, Michael Lovenheim, and Kevin Morris (Sept. 7, 2016). "The Changing Face of the Higher Education Market." Liberty Street Economics. Available at: <https://libertystreeteconomics.newyorkfed.org/2016/09/the-changing-face-of-the-higher-education-market.html>. Veterans Education Success (Jan. 1, 2014). "Why For-Profit Schools are Targeting Veterans Education Benefits." Available at: <https://vetsedsuccess.org/why-for-profit-institutions-are-targeting-veterans-education-benefits/>. Christina Cauterucci (Sept. 22, 2017). "More Single Mothers Are Going to College Than Ever. But Very Few Will Graduate." Slate. Available at: <https://slate.com/human-interest/2017/09/for-profit-schools-and-low-graduation-rates-plague-a-rising-population-of-single-student-mothers.html>. Annie Waldman (March 18, 2016). "How a For-Profit College Targeted the Homeless and Kids With Low Self-Esteem." ProPublica. Available at: <https://www.propublica.org/article/how-a-for-profit-college-targeted-homeless-and-kids-with-low-self-esteem>. Genevieve Bonadies, Joshua Rovenger, Eileen Connor, Brenda Shum and Toby Merrill (July 30, 2018). "For-Profit Schools' Predatory Practices and Students of Color: A Mission to Enroll Rather than Educate." Harvard Law Review Blog. Available at: <https://blog.harvardlawreview.org/for-profit-schools-predatory-practices-and-students-of-color-a-mission-to-enroll-rather-than-educate/>.

⁸ U.S. Senate Health, Education, Labor, and Pensions Committee (July 30, 2012). "Corinthian Colleges." Available at: https://www.help.senate.gov/imo/media/for_profit_report/PartII/Corinthian.pdf.

⁹ Maria Danilova (Nov. 9, 2017). "Study: Most student loan fraud claims involve for-profits." Associated Press. Available at: <https://apnews.com/2f357cc6162b49febd56de912eff750d/Study:-Most-student-loan-fraud-claims-involve-for-profits>.

¹⁰ U.S. Senate Health, Education, Labor, and Pensions Committee (July 30, 2012). "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success." Available at: https://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

affiliation by use of seals or claims that they are “state approved.”¹¹ Some institutions may also seek to partner with minority-serving institutions or non-profits to increase recruitment of students of color that may be displaced from schools that do not offer online instruction.¹² Students displaced in the middle of their course of study, and urgently seeking a new school, may be particularly vulnerable to predatory recruitment tactics.

Private institutional loan programs. For-profit institutions have previously used privately operated loan programs as loss-leaders in order to maximize the amount of federal financial aid the school is eligible for, exploiting a loophole in federal law.¹³ Sadly, these loans not only burden students with additional debt, they often come with the risk of higher interest rates and higher rates of default for students. For example, Corinthian Colleges’ Genesis Loan Program, which came with interest rates as high as 18 percent, was designed to enable the company to receive more federal funds even while it expected more than 50 percent of borrowers to default on their Genesis loans.¹⁴ Predatory colleges use these private loan programs to maximize profits at the expense of students, putting vulnerable students at further risk.

Professional licensure. For many students, earning their degree is only the first step on their career path, and professional licensure is also required to work in the student’s chosen field. Offering programs that do not actually position students for employment in their intended field is a red flag that schools may be leaving students with debt for an education they cannot use. The risks may be particularly pronounced at schools with online programs offered across state lines and do not qualify students to obtain professional licensure required in the states where they reside. For example, the Iowa Attorney General settled with Ashford University after alleging that the school was “misrepresenting to prospective students who wished to become teachers that an online Ashford education degree would allow them to become classroom teachers.”¹⁵ It is important that students are protected from predatory institutions motivated by profit rather than student benefit.

During the current crisis, as colleges have rushed to transition online in response to COVID-19, states have understandably sought to remove certain roadblocks that would prevent institutions from moving quickly. It is essential that all changes to delivery models are tracked and monitored by the state; any changes undertaken in response to the pandemic should be temporary, and should be reassessed at the earliest appropriate time. Further, it is important that programs are offered in a medium that meets students’ educational needs. While many programs have temporarily transitioned online, programs requiring hands-on instruction should not be permitted to transition without sufficient evidence that

¹¹ Jim Puzanghera, Chris Kirkham, Alan Zarembo (Oct. 9, 2015). “Pentagon bars University of Phoenix from recruiting on military bases.” Los Angeles Times. Available at: <https://www.latimes.com/business/la-fi-university-of-phoenix-military-20151009-story.html>.

¹² Natalie Schwartz (April 29, 2020). “Strayer, Capella Parent Wants to Provide Ed Tech Services to Other Colleges.” Education Dive. Available at: <https://www.educationdive.com/news/strayer-capella-parent-wants-to-provide-ed-tech-services-to-other-colleges/577040/>.

¹³ National Consumer Law Center (Jan. 2011). “Piling It On: The Growth of Proprietary School Loans and the Consequences for Students.” Available at: <https://www.studentloanborrowerassistance.org/wp-content/uploads/File/proprietary-schools-loans.pdf>.

¹⁴ Jillian Berman (Aug. 21, 2017). “Why 41,000 Former For-Profit College Students Could be Eligible for Loan Forgiveness.” MarketWatch. Available at: <https://www.marketwatch.com/story/41000-former-for-profit-college-students-could-be-eligible-for-student-loan-forgiveness-2017-08-18>.

¹⁵ Iowa Department of Justice (May 15, 2014). “Assurance of Voluntary Compliance in the Matter of: Bridgepoint Education, Inc. and Ashford University, LLC.” Available at: https://www.iowaattorneygeneral.gov/media/cms/Bridgepoint_Ashford_Iowa_Attorney_G_F0271005A595B.pdf.

students' needs can be met with online classes, and the transition should not be continued for longer than necessary.

These are unprecedented times for our nation and our institutions of higher education. The combination of a surge in enrollment, lax federal regulation of for-profit institutions, cuts to states' college and university budgets, and a massive shift to online instruction creates a situation ripe for fraudulent and predatory behavior. Students must be protected from predatory schools, especially during these uncertain times. Please feel free to reach out to our organizations with questions, or to discuss additional ways to protect students.

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