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New recession sets stage for abuses by for-profits, critics fear

Submitted by Kery Murakami on April 17, 2020 - 3:00am

Eight years ago, as senior staffers on the U.S. Senate's education committee, Beth Stein and Carrie Wofford finished a two-year [investigation documenting](#) ^[1] excesses by for-profit colleges during the Great Recession of the late 2000s.

The report described a “boiler room” atmosphere in some call centers run by for-profits, where about 35,000 recruiters nationwide at one point aggressively pursued students anxious for a leg up in finding scarce jobs. And sometimes recruiters were loose with the truth.

Some prospective students were told financial aid would cover their tuition, only to be saddled with thousands of dollars of debt. Others, the Senate report said, were misled about their chances of getting a good job after they graduated.

Now, as the pandemic crisis sends the nation back into another recession, Stein, Wofford and other advocates say they're worried those tactics will return.

“I can see 2009 happening all over again,” said Stein, who headed the investigation under the committee's then chairman, Senator Tom Harkin, and is now senior adviser at the Institute for College Access & Success (TICAS), an advocacy group focused on equity in higher education. “We've basically eliminated every protection we put in place.”

Wofford, then senior counsel of the Senate's education committee, said for-profits appear to be stepping up their advertising aimed at veterans of the U.S. military and active-duty service members, a heavily sought group of potential students amid the last recession.

“It's concerning because of the ugly recruiting we saw in the last recession,” said Wofford, now president of Veterans Education Success, which advocates for student veterans.

Congressional discussions about additional stimulus packages in response to the COVID-19 pandemic are becoming a new battlefield in the running debate over the regulation of for-profits.

In a preview, high-powered lawmakers, including Senator Dick Durbin of Illinois, the second-highest-ranking Democrat in the Senate, and Senator Elizabeth Warren, a Massachusetts Democrat, unsuccessfully [urged](#) ^[2] U.S. Education Secretary Betsy DeVos last week to use her powers to exclude for-profits from getting any of the \$14 billion the last \$2.2 trillion stimulus package set aside for higher education.

Veterans' and consumer advocates such as Stein and Wofford are asking Congress in future stimulus bills to again tighten regulations passed during the Obama administration and weakened by President Trump, warning the new recession creates fertile ground for more aggressive student recruiting.

For-Profits See an Important Role in Recovery

But the concerns also come during a pandemic that has seen shortages of critical health-care equipment and workers. Steve Gunderson, president of the for-profit college industry group Career Education Colleges and Universities, said his institutions will play a critical role in producing medical technicians and manufacturing workers who will be important for the nation's ability to recover from the recession and be prepared for the next pandemic.

The mechanics, health-care workers and other students they train will be key to that recovery. And Gunderson said the colleges shouldn't be hamstrung by regulations they consider to unfairly target the sector.

“I think our schools will be on the front lines of getting America back to work,” said Gunderson.

For example, he cited Pima Medical Institute, a for-profit institution. The institute designed and is offering an online course, in conjunction with Kaiser Permanente and the SEIU-United Healthcare Workers West union, which gives California nurses additional training on treating coronavirus patients.

Gunderson acknowledged that the industry grew too fast and focused too much on enrolling students during the last recession. It's fair, he said, to say for-profits enrolled more students in criminal justice programs after Sept. 11 than there were jobs.

"The criticism is based on the premise that we don't learn from what happened in the past," he said. "We're a very different sector than 10 years ago." He added that many colleges that pushed the boundaries have gone out of business. Indeed, a number of problem institutions, such as Corinthian Colleges and Education Corporation of America, have collapsed since the last recession.

"Are we going to repeat the mistakes of the past? Absolutely not," he said.

Still, Gunderson knows the industry is under scrutiny.

A [guide](#) ⁽³⁾ Gunderson's group sent to its members Monday urged the institutions to be careful in documenting their use of stimulus money.

"We know our critics are already accusing the proprietary sector of forthcoming fraud in the use of such funds. Only full transparency can answer such allegations," the guide said. "Your institution should keep track of the staff time involved in the management and distribution of the emergency financial aid grants. Keep track of every hour of staff time and account for how every dollar is distributed."

The guide from the group also said, "An institution will likely need this level of data for audits and reports later, and certainly, for the sector's transparency in proving to critics the funds were used properly and wisely."

Gunderson said, "I'm well aware of the environment that we live in -- that there are advocacy groups, the media and people on Capitol Hill who believe our sector shouldn't exist."

Environment Ripe for Abuses

Stein cited reasons for concern. Questions loom about the quality of academic programs offered by larger for-profits, in part because of the lag time in the requirement for reporting outcomes.

And the environment is ripe for the sort of aggressive recruiting that happened in the last recession, Stein, Wofford and other consumer advocates warn.

Interest in enrolling in college tends to increase when unemployment goes up. Employers give preference to those with advanced training for scarce jobs.

Some who've lost their jobs think, "I've been meaning to go back to school, anyway," Stein said.

Others are worried about being able to find work without a college degree.

"People are scared, and there's an opportunity to convince people to take out a loan and go to a low-quality school," Wofford said.

Wofford said she was particularly appalled by testimony from for-profit recruiters in the Senate investigation that some were trained to take advantage of vulnerable prospective students.

Recruiters would ask probing questions to zero in on a prospective student's "pain" about a dead-end job, inability to support their children, failing parents or relatives, the Senate report said.

"Then, when the prospective student feels vulnerable, the recruiter will offer the prospective student the possibility of a college degree as the opportunity to make that pain go away," the report said.

Wofford said her group is scrutinizing social media platforms. According to a draft of a report her group is expected to release in a couple of weeks, for-profits have in recent days been running a large number of ads, many of them touting health-care programs. Her group thinks that's meant to capitalize on the positive attention health-care workers are getting during the pandemic. Many of the ads also focus on ease in transferring to universities, which Wofford's group sees as a response to the closure of colleges during the crisis.

Long-Running Debate

The push to strengthen regulations as part of the stimulus is a continuation of a debate that's been going on for years, since the Obama administration in response to a series of scandals passed a number of regulations such as the borrower-defense rule, which made it easier for those defrauded -- primarily by for-profits -- to have their federal loans eliminated.

DeVos weakened ^[4] the rule, making it harder to have loans forgiven in those kinds of cases. She also repealed another regulation, called the gainful-employment rule, which would have penalized institutions whose graduates were unable to find good enough jobs to pay off their student debt. The Trump administration said those rules discriminated against for-profits.

Looking ahead, Wofford said many of the discussed reforms would only penalize colleges after students are hurt. "That's the problem with most of the rules protecting students," she said. "It's only after a school gets caught that a borrower can apply for borrower defense."

However, one reform, pushed by consumer advocates, aims to lower the incentive on for-profits to recruit veterans and members of the military.

Called the 90-10 rule, the federal regulation bars for-profits from getting more than 90 percent of their revenue from federal student sources. However, military education benefits like the GI Bill do not count toward the 90 percent cap, making the recruitment of veterans and service members a prime way to meet the requirement.

And Wofford fears for-profits that targeted veterans in the last recession are poised to do it again. "They're going to turn those all on and say, 'go, go, go,'" Wofford said.

The proposed reforms have gotten some bipartisan support in Congress. Several lawmakers, including Republican senators James Lankford and Bill Cassidy, have proposed removing the incentive by counting military benefits toward the 90 percent threshold.

Advocates also are encouraged that 10 Republicans joined Democrats in March in approving ^[5] a Senate resolution expressing disapproval in the department's weakening of the borrower-defense rule. Six Republicans also supported a similar measure when it was passed by the House in January.

Another bipartisan bill ^[6], co-sponsored by Cassidy and Warren, would make more data on colleges' performance available to prospective students. In addition, Stein hoped Congress would include other ideas in a future stimulus bill, including a provision in the update of the Higher Education Act passed by the education committee of the Democratic-held House. The measure called on the department to begin doing undercover "secret shopper" investigations of for-profits' practices, and would have required more transparency about student outcomes.

However, many of the changes are likely to be opposed by the Trump administration, as well as for-profit colleges, who say both rules unfairly target them.

Meanwhile, for-profits are doing their own lobbying in Congress, and they beat back the attempt to exclude them from the stimulus funds.

For-profits are seeking their share of the stimulus money as Congress considers more stimulus bills and proposals to revive the nation's economy, said Steve Gonzalez, the for-profit industry group's senior vice president of government, military and veterans' relations.

"We want them to treat us the same [as other colleges] and not treat us with such disdain," Gonzalez said.

For-Profit Higher Ed ^[7]

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Links

[1] https://www.help.senate.gov/imo/media/for_profit_report/PartI.pdf

[2] <https://www.insidehighered.com/news/2020/04/09/profit-colleges-and-stimulus-funds>

[3]

https://www.career.org/uploads/7/8/1/1/78110552/cecu_guide_for_the_distribution_of_student_grants_under_the_higher_education_emergency_relief_fund_2020-4-15.pdf

[4] <https://www.insidehighered.com/news/2019/09/03/devos-imposes-tougher-debt-relief-standards-student-borrowers-alleging-fraud>

[5] <https://www.insidehighered.com/news/2020/03/12/senate-republicans-join-democrats-rebuke-devos-borrower-defense-rule>

[6] <https://www.insidehighered.com/quicktakes/2019/03/18/cassidy-warren-reintroduce-college-transparency-act>

[7] <https://www.insidehighered.com/news/focus/profit-higher-ed>