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**Senate Committee on Health, Education, Labor, and Pensions
Hearing on For-Profit Schools: The Student Recruitment Experience
August 4, 2010**

Context: The Senate Committee on Health, Education, Labor, and Pensions held a hearing, August 4, on student recruitment practices at for-profit schools. The hearing was the second in a series focused on the growing federal investment in for-profit colleges and universities and was based on an investigation by the Government Accountability Office (GAO).

Testimony Summary: In opening remarks, Chairman Tom Harkin (D-IA) discussed the systemic abuses in the for-profit industry uncovered by the GAO and identified two driving questions for the hearings – (1) Are for-profit schools serving the best interests of students, and (2) Are taxpayer investments sufficiently safeguarded under current law? Ranking Member Enzi (R-WY) characterized the practices at the investigated for-profit schools as aggressive, inappropriate, and unacceptable. But he cautioned that Congress should evaluate recruiting practices at nonprofit and public institutions as well, noting that student debt and default problems exist in all sectors of higher education.

The hearing witnesses presented in two panels. The first panel consisted of Gregory Kutz (Managing Director, Office of Forensic Audits and Special Investigations, U.S. Government Accountability Office). The second panel was composed of David Hawkins (Director of Public Policy and Research, National Association for College Admission Counseling); Dr. Michale McComis (Executive Director, Accrediting Commission of Career Schools and Colleges); and Joshua Pruyne (former Admissions Representative, Alta Colleges, Inc.).

- Mr. Kutz described the GAO's investigation of 15 for-profit schools and provided accompanying videotaped segments of meetings between bogus prospective students and admissions officers. The GAO determined that all 15 schools provided deceptive information, and four schools encouraged fraudulent behavior, including a recommendation that a student not report cash holdings and a suggestion that a student claim bogus dependents. Examples of deceptive information and practices include the following: providing questionable information on graduation rates and future earnings; guaranteeing jobs after graduation; giving deceptive information on the cost of the program; and refusing to let students visit with financial aid officers before signing enrollment forms. Mr. Kutz also reported on a separate strand of the investigation in which prospective students indicated interest in higher education programs via third-party websites; the four students received 436 phone calls in a one-month period.
- Mr. Hawkins described NACAC's code of ethical practices that govern the admissions policies of its member schools. He criticized the safe harbor exceptions that gutted the

incentive compensation ban at institutions of higher education as creating the potential for fraud and abuse. With admission officers and recruiters compensated almost exclusively on whether students enroll, aggressive sales tactics and misinformation about academic programs result.

- Dr. McComis provided an overview of the accreditation process and advocated for accreditation as the best avenue for decisions about educational quality. He suggested that accrediting organizations had demonstrated a commitment to establishing and enforcing standards and agreed that the government should hold accreditors accountable.
- Mr. Pruyn described his work as a former admissions representative at Westwood College, a for-profit school. Mr. Pruyn grew disillusioned with the position, in which he felt constant pressure to enroll students and ensure they remained in classes for the 14 days necessary to qualify for federal financial aid. He described quota requirements and incentives for admissions officers.

Discussion: Following each panel, members of the Committee posed questions to the panelists.

- Several members including Chairman Harkin and Senator Franken (D-MN) asked whether the practices uncovered in the GAO investigation were the exception or indicated systemic issues. Mr. Kutz shared his belief that the limited sample of schools reflected larger, systemic practices.
- Members including Ranking Member Enzi and Senator Mikulski (D-MD) asked Mr. Kutz about next steps following the GAO report. Mr. Kutz indicated that the U.S. Department of Education's (Department) Office of the Inspector General was investigating the four schools accused of fraud. Further, the Department has been briefed on all 15 schools for oversight purposes.
- Senators Casey (D-PA) and Bennet (D-CO) asked Mr. Kutz whether the problem lies in current law and regulation or in oversight and enforcement. Mr. Kutz responded that regulations appear to address most of the inappropriate conduct and suggested that the regulations were not effectively enforced. The Department is tasked with enforcement, but Mr. Kutz could not speak to its level of resources for this responsibility.
- Prompted by questions from Senators Burr (R-NC) and Mikulski, Mr. Kutz confirmed his belief that admissions officers received high-pressure sales and marketing training.
- Several members including Chairman Harkin, Ranking Member Enzi, and Senator Bennet discussed the role of incentive compensation. Mr. Hawkins explained that the safe harbors carved out enough exceptions to chip away at legal enforcement against incentive compensation, to the detriment of students (particularly low-income students) who need objective counseling when making enrollment decisions. Mr. Hawkins commended the Department's proposed rule on incentive compensation. Speaking of his own experience as an admissions officer, Mr. Pruyn agreed that incentive compensation

played a role in the problem but believed its elimination would not fundamentally alter the landscape.

- Prompted by questions from Ranking Member Enzi and Senator Alexander (R-TN), Mr. Hawkins listed the following responses that NACAC might adopt if member schools participated in the type of conduct uncovered in the GAO report: censure, prohibition of participation in certain programs, and expulsion.
- Members including Ranking Member Enzi and Senator Franken asked Dr. McComis about the role of institutional recruiting and admissions processes on accreditation decisions. Dr. McComis indicated that ACCSC has several standards for these activities, but Members including Chairman Harkin and Senator Franken expressed skepticism about the implementation of these standards, with several of the GAO-investigated schools receiving accreditation from ACCSC. Senator Alexander suggested the Department evaluate the accreditors and their standards.

Analysis: Several Senators spent substantial portions of their time sharing their own opinions on the GAO report and for-profit schools.

- Senator Franken largely rejected Ranking Member Enzi's suggestion that the Committee focus on all institutions of higher education. Instead, Senator Franken indicated his support for the focus on for-profit schools, stating they demonstrate more outlandish student default and dropout rates and are a low-hanging fruit for Congressional attention. In contrast, Senator Burr (R-NC) indicated his support for Ranking Member Enzi's point, noting that he was more concerned with graduation rates across the higher education spectrum, and requested a similar review of not-for-profit institutions.
- Senator Isakson (R-GA) raised the issue of program participation agreements under Title IV of the Higher Education Act and characterized the practices uncovered by the GAO as substantial violations of these agreements. He recommended the pursuit of legal remedies against these schools as the most effective response to the fraudulent and misleading conduct and cautioned against permitting schools to suggest that implicated employees were rogue bad apples.
- In a lengthy questioning session of Dr. McComis, Chairman Harkin expressed his general concern over the practices of for-profit schools and his skepticism about the diligence of agencies like ACCSC that accredit these schools.

In his closing statement, Chairman Harkin announced his intention to issue, on August 5, an information and document request to 34 for-profit schools and his plan to hold additional hearings in the fall, starting in September, on for-profit institutions. He further indicated his belief that Congress is heading toward legislation to correct the practices discussed (rather than reliance on regulations that might be amended by a later Administration) and toward a more probing consideration of the role of accreditation in the larger system of accountability.