

Universal Technical Institute, Inc

Summary: 2012 U.S. Senate Committee Findings + 2015 Update

Overview

- Universal Technical Institute, Inc. (UTI), headquartered in Arizona, offers primarily vocational programs in mechanical fields—skill based training in high demand professions
- It operates under several brands, including Universal Technical Institute, Motorcycle Mechanics Institute, Marine Mechanics Institute, and NASCAR Technical Institute
- Enrollment grew from about 7,200 student in 2001 to 21,000 in 2010
- Several investigations have been launched and lawsuits brought against UTI since mid 2012

Tuition

- Certificate in Automotive Technology is \$30,895 compared to \$1,527 at a nearby community college—20 times more expensive at UTI

Federal Funding

- 75% (\$330 million) of its revenue was derived from federal student aid plus military and veterans educational benefits

Expenditure Priorities

- In 2009, it devoted 21.1% (\$77.3 million) of its revenue to marketing and recruiting, and 5.1% (\$18.6 million) to profit; while the amount spent on marketing was close to the average for the publicly traded companies surveyed, the amount devoted to profit was well below the average
- In 2009, its CEO received \$1.9 million in compensation, more than three times as much as president of University of Arizona
- It spent almost as much per student on marketing as on instruction in 2009—\$2,244 and \$2,778, respectively, and \$541 per student on profit

Recruiting Tactics

- Numerous complaints assert that its recruiters and enrollment agreements are misleading due to their non-disclosure of the school's retroactive tuition increases
- Other complaints allege that a recruiter furnished prospective students with misleading information on the cost of attendance, tuition policies, and employment prospects upon graduation
- While it employed 1 recruiter for every 47 students in 2009, each career counselor was responsible for 163 students and each student services staffer for 106 students

Academic Quality and Student Outcomes

- It spent \$2,778 per student on instruction in 2009 compared to \$4,091 at a nearby community college
- Overall, 36.2% of students who enrolled in 2008-09 had withdrawn by 2010, a much lower withdrawal rate than the 54.1% average among the 30 companies examined
- Its default rate has fluctuated over time, from as high as 16.1% for students entering repayment in 2006 to as low as 12.2% for students entering repayment in 2008
- Its default rates closely track the rates for all schools and suggest that many of its students are finding jobs that allow the students to repay loans
- Unlike the other 30 schools surveyed, it employed an almost exclusively full-time faculty in 2010, with only 3 part-time instructors
- However, complaints from its faculty reflect concerns with the academic quality, including being told to pass students who failed a class because they paid for their certificates and are only training for entry level positions
- Employers have told students that they won't higher UTI graduates because of their consistently poor job performance
- Instructor at one campus complained that we no longer graduate students with a quality education and the tools needed to make them successful in the automotive field but have been reduced to merely "selling" diplomas for \$30,000
- Many student complaints expressed disappointment with the instructional quality of their programs at UTI

- Many student complaints addressed the inadequacy of its student support services, namely financial aid and career services; though its career services staff is relatively robust compared to other schools examined, some students complained that the services provided were not helpful or timely

2015 Update

- Massachusetts Attorney General launched an investigation of false claims related to UTI's student loans, guarantees, and grants in Sept. 2012
- UTI announced a Department of Justice investigation in July 2012 spurred by a *qui tam* complaint filed by a former employee who alleged that the company had violated the incentive compensation rules; it is also being investigated by the Department of Labor based on allegations from the same employee that his employment was improperly terminated
- According to a July 2014 Senate Health, Education, Labor, and Pensions Committee report, 17% of programs at UTI were at risk of failing the new Department of Education Gainful Employment regulations
- The same report also found that UTI was one of the top 10 recipients of revenue from individuals using their Post-9/11 GI Bill benefits from 2009 through 2013, receiving \$105 million

Summary of findings from a report by the Senate Health, Education, Labor and Pensions (HELP) Committee: *For-Profit Education: The Failure to Safeguard the Federal Investment and Ensure Student Success* (July 30, 2012). Find the full chapter on UTI at: http://www.help.senate.gov/imo/media/for_profit_report/PartII/UTI.pdf