

# *Crackdown on For-Profit Colleges May Free Students and Trap Taxpayers*

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**BUSINESS** The Obama administration's decision to cut off International Services, one of the nation's largest operators of for-profit colleges, from using federal financial aid to enroll new students shuts off the cash spigot to the troubled company. But it also creates a new set of problems.

The decision last week was the latest step in the federal government's crackdown on for-profit schools that have vacuumed up billions of dollars in government grants and loans but failed to deliver on promised training and jobs. Still, the goal of relieving current and former students saddled with onerous debt and a subpar education can be at odds with reducing the cost to taxpayers, who are likely to be stuck with the bill for loan defaults and discharges.

"There is a built-in conflict of interest when the gatekeeper and the financier are the same entity," Barmak Nassirian, director of federal relations and policy analysis at the American Association of State Colleges and Universities, said of the Department of Education.

ITT, with about 45,000 enrolled students spread over more than 130 campuses across the country, received an estimated \$580 million in federal money last year, according to the Department of Education.

The company did not respond to repeated requests for comment, but Mr. Nassirian and other experts who have closely followed the issue said the department's decision could mean the end of ITT, either through bankruptcy or sale.

"It's a de facto death sentence," Mr. Nassirian said. "They certainly can't find students who will pay out of pocket to go to that school, and they don't have adequate resources to creep along in time to reverse the decision. So I don't see how they're going to pull out of this."

The curb on new student enrollment at ITT, which has been under heightened financial scrutiny from the department since 2014, is the latest move in a long-running campaign to halt deceptive advertising, illegal recruitment practices and other abuses by career training and other for-profit educational institutions. Last year, another for-profit heavyweight, Corinthian Colleges, filed for bankruptcy after being the subject of numerous state and federal inquiries. The drumbeat of negative reports has eroded the industry's popularity, leading enrollments to shrink substantially.

"People are defaulting at a rate of two per minute, 24 hours a day, seven days a week," Mr. Nassirian said. "The vast majority are victims, not deadbeats."

Pauline Abernathy, executive vice president of the nonprofit Institute for College Access and Success, praised the education officials' decision. "If a ship is at high risk of sinking, one doesn't let any more people board," she said, and should also "let people on board know what's happening."

Other education advocates also applauded the move but worried that both former and current students who had already invested thousands of dollars would be left with a mountain of debt and few educational options.

Angela Browne-Kemmerling, who attended a nursing program at ITT's Hilliard campus outside Columbus, Ohio, for example, was two semesters away from completion and \$40,000 in debt when she pulled out in April 2015. Already disenchanted with the absence of promised weekend clinics, the use of YouTube videos to teach catheter insertions and the repeated failure of her classmates to pass the required nursing exams, she said she was further disturbed by reports of state and federal fraud investigations.

"I got more concerned about going on with more debt, and seeing that everyone graduating was not passing their boards," said Ms. Browne-Kemmerling, a 39-year-old mother of five.

She said she was unable to pick up where she left off because no other program would accept her credits and she was close to maxing out her loans. "I couldn't go somewhere and start over," she said. "I'm just stuck where I am."

After hearing about the Education Department's decision, Ms. Browne-Kemmerling said she called the Hilliard campus on Friday to speak with a financial aid representative but was told no one would be in until late the next week.

Current students left stranded by the closing of a school can apply for a loan discharge, while former students are eligible only if they can prove they were defrauded. New guidelines governing that process are expected in November from the Department of Education.

Veterans going to school would be covered by the same provisions if ITT were to close, said Carrie Wofford, the president of Veterans Education Success, a nonprofit group. But they would not be credited for the months of eligibility under the G.I. Bill already used up while at ITT, or the concurrent housing allowance, she said.

This month, ITT was put on notice that it was in danger of losing its accreditation, which would mean an immediate cutoff in access to government loan programs. That threat helped prompt education officials to demand last week that ITT come up with an additional \$153 million in credit within 30 days, to cover potential student refunds in case of a shutdown. According to its most recent quarterly filing, though, ITT had only \$78 million in cash on its balance sheet.

Education officials also ordered ITT to put in place a contingency plan for its students so they can finish their education if ITT fails. But it was unclear whether that plan entailed simply sending students to another school with a similar record of failings.

As Ms. Wofford pointed out, nobody yet knows what is going to happen.

At the moment, students at ITT have limited options. A Department of Education blog post explains that they can stay at ITT and see what happens; they can try to transfer, although other schools may not accept ITT's credits; or they can pause their studies.

To many education advocates, community colleges are a cheaper and better option, but many lack the capacity and resources to absorb all the students. Some also have similarly dismal graduation rates.

David Halperin, a Washington lawyer and the author of "Stealing America's Future: How For-Profit Colleges Scam Taxpayers and Ruin Students' Lives," pointed out that for-profit colleges committed to providing a quality education could also be part of the solution.

"For for-profits willing to live by reasonable rules," he said, "there is an opportunity there to make some money."

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## Profit Colleges