

The Washington Post

Grade Point

DeVry voluntarily dials back revenue from federal student aid

By [Danielle Douglas-Gabriel](#)

September 20, 2016

DeVry Education Group, one of the largest operators of for-profit colleges, said Tuesday that it will limit the amount of revenue it receives from federal student aid, including veterans and military tuition assistance, getting in front of a controversial issue as the for-profit industry buckles under economic and regulatory pressure.

For-profit colleges are prohibited by law from receiving more than 90 percent of their operating revenue from federal loans and grants. Many schools sidestep that rule by enrolling men and women who serve in the military because the federal education funding they receive is exempt from the law. Lawmakers have fought to close the loophole in the so-called 90/10 rule and lower the overall threshold to 85 percent, but now DeVry is taking steps in that direction on its own.

By July 2017, the company said, no more than 85 percent of the revenue collected by all of its institutions, such as DeVry University and Keller Graduate School of Management, will come from federal student funding.

“This is a significant pledge that DeVry Group is voluntarily making for the long term and it underscores our commitment to finding solutions to the issues facing higher education today,” Lisa

Thank you.

Your subscription supports journalism that matters.

The Washington Post **Jobs**

Search Jobs

Featured Jobs

Account Executive (Law Firm Collections)

Legal E

Desktop Administrator

Legal E

Attorney Recruiting Coordinator

Legal E

Wardell, president and chief executive of DeVry Education Group, said in a statement. “This is part of a broader effort to improve our policies and demonstrate the quality and value of our programs.”

Although DeVry officials say their decision has nothing to do with government scrutiny, the company is butting heads with federal regulators. The Federal Trade Commission is suing the company for allegedly misleading consumers about the employment and earnings of its graduates in numerous radio, television, online and print advertisements. That lawsuit triggered a separate action by the Department of Education, which has required DeVry to yank advertisements about employment outcomes, under the threat of losing access to the federal financial aid programs.

Michael Tarken, senior research analyst at Compass Point, called DeVry’s self-imposed revenue limit “a step to appease regulators while the company is in the midst of an ongoing investigation by the FTC.”

DeVry officials insist that the commitment is one of a larger set of company reforms meant to create a new standard in higher education. In May, the company joined the University of Phoenix in no longer barring students from filing class-action lawsuits or otherwise taking their grievances to the courts, ending mandatory arbitration clauses that consumer advocates say rob students of their rights.

Whatever DeVry’s motivations, Carrie Wofford of Veterans Education Success said the company’s decision “removes the recruiting target” from the backs of veterans. She said her organization has fielded thousands of complaints from veterans about for-profit colleges misrepresenting the cost of tuition,

education quality, accreditation and job prospects.

“Those lies were all motivated by unscrupulous salesmen who felt pressure, because of the 90/10 loophole, to get as much money from the military gravy train as they could,” she said. “Perhaps more importantly, DeVry’s move raises the bar for the rest of the industry and shows Congress they can close the 90/10 loophole.”

Several for-profit chains have gotten into trouble for relentlessly pursuing current and former members of the military. The Defense Department suspended the University of Phoenix from recruiting on military bases and accessing federal education funding last year for sponsoring recruiting events in violation of an order preventing for-profit colleges from gaining preferential access to the military.

Democratic Sens. Richard J. Durbin (Ill.), Tom Carper (Del.) and Richard Blumenthal (Conn.) introduced legislation last summer to close the loophole, and Durbin has proposed lowering the revenue threshold to 85 percent for all for-profit schools.

“Today’s announcement, while significant and a step in the right direction, remains a voluntary commitment,” Carper said. “Only Congress can enact permanent solutions to this problem. Only Congress can hold all for-profit colleges accountable by closing the 90/10 loophole.”

Congress first limited the amount of taxpayer money that for-profit colleges could receive to 85 percent in 1992 to crack down on fly-by-night schools making money from student aid programs. The government figured a for-profit school with quality programs should have no trouble deriving at least 15 percent of its revenue from students willing to put up their own money. The for-profit industry fought the rule, which was relaxed six years later as the

cap was raised to 90 percent, and military education benefits were exempted.

Want to learn more about for-profit colleges, check out these stories:

[Justice Department is investigating whether a for-profit college company violated federal financial aid rules](#)

[For-profit colleges lose bid to scuttle government rules](#)

[The rise of the covert for-profit college](#)

 **3 Comments**



Danielle Douglas-Gabriel

Danielle Douglas-Gabriel covers the economics of education, writing about the financial lives of students, from when they take out student debt through their experiences in the job market. Before that, she wrote about the banking industry. [Follow](#) 