For-Profit Colleges, Vulnerable G.I.’s

By HOLLISTER K. PETRAEUS    SEPT. 21, 2011

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MILITARY personnel and their families are finding themselves under siege from for-profit colleges. A number of these schools focus on members of the armed forces with aggressive and often misleading marketing, and then provide little academic, administrative or counseling support once the students are enrolled.

Vast sums are involved: between 2006 and 2010, the money received in military education benefits by just 20 for-profit companies soared to an estimated $521.2 million from $66.6 million.

The government provides two important educational benefits to service members: the Tuition Assistance program for service members on active duty, and the G.I. Bill, which is mostly used for education after military service.

Today’s veterans are eager to earn post-secondary degrees — and to replicate the example of the generation that returned from World War II and fueled our prosperity. But their desire for learning is too often exploited by unscrupulous for-profit colleges.

The schools have a strong incentive to enroll service members and veterans, in large part because of the “90-10 rule” created by the 1998 amendments to the Higher Education Act. Put simply, the rule says that a for-profit college must obtain at least 10 percent of its revenue from a source other than Title IV education funds, the primary source of federal student aid. Funds from Tuition Assistance and the G.I. Bill are not defined as Title IV funds, so they count toward the 10 percent requirement, just like private sources of financing.

Therein lies a problem. For every service member or veteran (or spouse or child, in the case of the post-9/11 G.I. Bill) enrolled at a for-profit college and paying with military education funds, that college can enroll nine others who are using nothing but Title IV money.

This gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in and take out private loans, which students often need because the federal grants are insufficient to cover the full cost of tuition and related expenses.

One of the most egregious reports of questionable marketing involved a college recruiter who visited a Marine barracks at Camp Lejeune, N.C. As the PBS program “Frontline” reported, the recruiter signed up Marines with serious brain injuries. The fact that some of them couldn’t remember what courses they were taking was immaterial, as long as they signed on the dotted line.

Some for-profit colleges have also created Web sites with military-sounding names. Although they present themselves as offering unbiased advice on G.I. Bill benefits, some are using deceptive methods to bring in students.

For example, I looked at one of these sites and found that the schools listed on the home page as “G.I. Bill schools” all happened to be for-profit colleges. On another site, a member of my staff filled out an application asking what the school would recommend if he had a law degree and a postdoctoral degree in physics. Their suggestion: get a vocational certificate at a local for-profit college.

To be sure, there are some for-profit colleges with a long record of serving the military, solid academic credentials and a history of success for their graduates. But, compared with other schools, for-profit colleges generally have low graduation rates and a poor record of gainful employment for their alumni.

A number of for-profit colleges have questionable academic credentials or lack accreditation accepted by other institutions. This makes it very difficult for students to transfer credits to other schools. Not surprisingly, for-profit colleges also tend to have a higher-than-average student loan default rate, which means that, in the end, the college experience there may hinder, rather than help, the careers and financial
prospects of their graduates.

Prior to the Military Lending Act of 2007, which capped the annual interest rate for some consumer loans to service members at 36 percent, they were victims of unchecked payday lending and other predatory financial services. I see a parallel in what is happening today with for-profit colleges.

As long as military education funds are on the 10 percent side of the 90-10 rule, service members will be a lucrative target for exploitation. As Congress explores legislative solutions at a hearing today, it is critical that federal agencies redouble efforts to prevent aggressive and deceptive practices. The benefits provided to our military and their families should not be wasted on programs that do not promote — and may even frustrate — their educational goals.

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