For-profit colleges that leave students with crushing debt and useless degrees must be feeling optimistic. They have longed to escape the rules that rein in their predatory practices, and now they have the Trump administration with its aversion to regulation.

But even minor regulatory changes can lead to abuses that hurt not just students but also taxpayers, since these schools get almost all their revenue from federal student aid. That's why regulators should keep in mind what occurred in 2008, when Congress temporarily modified a rule requiring that schools get at least 10 percent of their revenue from sources other than the federal program. Schools were allowed to count private loans as part of the 10 percent before they were actually repaid.

The private loans usually made up the difference between the total cost of attending the school and the portion covered by federal grants and loans. By lending to students privately — or helping them get loans through third parties — schools guaranteed a steady flow of students, and the federal dollars they brought with them.
For-profit schools that made loans themselves often charged high fees and interest rates. They wrote off failed loans, while students ended up with private debt that is nearly impossible to shed in bankruptcy.

This pretty much describes what happened with ITT Technical Institute, one of the country’s largest for-profit schools before it went under last fall. Federal authorities sued it for fraud in 2015 and later demanded that it put up $150 million to cover refunds to students if it had to close. It could not produce the money.

Earlier this month, the bankruptcy trustee who is managing ITT’s affairs sued several credit unions involved in the school’s private student loan program. The lawsuit charged that the credit unions and ITT executives ran a loan scheme that fattened executive compensation while hurting the company’s bottom line and defrauding taxpayers.

The suit shows how far unscrupulous for-profit companies will go to get around regulations that are meant to protect students and keep the institutions honest.

Fearing voter backlash, Congress is unlikely to pass legislation that opens the door to more misconduct by these schools. But the Education Department, which is far too close to the industry, could accomplish the same thing by rolling back rules or failing to enforce existing ones. If that happens, the cycle that spiked a decade ago could start all over.

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