EDITORIAL

Predator Colleges May Thrive Again

By The Editorial Board

March 23, 2017

Congress has tried since the 1940s to curb predatory for-profit schools that survive almost solely on federal money while they saddle students with crushing loans for useless degrees. As the industry's scandals grew and its role in the student debt crisis became more excessive, the Obama administration established rules that could get the worst of these programs off the federal dole. But the Education Department under its new secretary, Betsy DeVos, seems ready to undermine those regulations and let predatory schools flourish once again.

The department has hired two high-level officials from the for-profit sector — one of whom has since resigned. The other is from a school, under state and federal investigation, that the Consumer Financial Protection Bureau fined last year for duping students into taking out costly private loans.

The Education Department also announced it would review and extend compliance deadlines for a rule created to ensure schools train students for good jobs by requiring that their graduates’ average debt not be too burdensome compared to their income. This delay could leave students — often the most disadvantaged and unsophisticated consumers — vulnerable to programs that are already failing the federal performance test.

The industry is trying to cast this “gainful employment rule” as onerous and unnecessary. But the abuses that prompted the Obama administration to develop this rule in the first place are well documented.

A history of the for-profit college industry published earlier this year by the Century Foundation shows how crooked schools sprang up to swindle World War II veterans out of their G.I. Bill benefits, attracting students with predatory recruitment techniques, enrolling them in sham courses and using false attendance records to bill the government.

A congressional report in 1952 noted that scores of for-profit executives had been convicted of fraud and that “hundreds of millions of dollars [had] been frittered away on worthless training.” A few years later, another federal report estimated that of more than 1.6 million veterans who had attended for-profit schools, only 20 percent had completed the course of study.

Congress eventually specified in the Higher Education Act of 1965 that career-training programs had to prepare students for “gainful employment in a recognized occupation” to be eligible for federal aid.

The gainful employment rule formulated during the Obama administration requires for-profit and nonprofit career-training programs to show that, on average, the annual loan payments of their graduates amount to less than 8 percent of their total income, or less than 20 percent of their discretionary income, after the cost of basic necessities like food and housing. Programs that fail for two out three years are supposed to be cut off from federal aid.

The test is hardly rigorous; only 9 percent of career-training programs failed it. But 98 percent of those were at for-profit colleges, according to the Institute for College Access and Success, a nonpartisan research group.

Some of the programs failed the test spectacularly. For example, only 7 percent of the students at McCann School of Business and Technology in Hazleton, Pa., finished the “medical assisting” degree program on time. After paying more than $30,000 in tuition, graduates earn only about $20,300 per year — less than the typical high school graduate earns. According to an analysis of federal data by the institute, graduates of this program at all McCann locations had an average of more than $26,000 in student loan debt.

The Education Department's delay in enforcing the rule will keep some prospective students from being warned off programs that would bleed them of student aid. Gutting the rule would keep these predatory schools in business.

It's clear that the Education Department has the interests of the industry at heart. But the department cannot operate in a way that sets up the country's most vulnerable students for exploitation, failure and default.