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EDITORIAL

When Colleges Use Veterans as Pawns

By The Editorial Board

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For-profit colleges that burden students with crippling debt — often while giving them useless credentials in return — are luring veterans who receive G.I. Bill benefits to take advantage of a loophole in federal law. On the merits, a proposal in President Obama's 2016 budget that would close this destructive loophole deserves unanimous support in Congress. But because the for-profit industry has considerable power in Washington, veterans may be let down.

At issue is what is known as the 90-10 rule. It prohibits for-profit colleges from receiving more than 90 percent of their revenue from Department of Education student aid, including grants and loans. Congress passed this law in 1998 to make sure that for-profit colleges were not financed solely through the federal Title IV student aid program and were capable of attracting students who either paid themselves or used aid from other sources.

But by failing to explicitly count G.I. Bill benefits and Department of Defense Tuition Assistance in the 90 percent, Congress created an opening for the schools to count this aid as part of the private 10 percent. By pursuing and signing up veterans, schools can now cover up the fact that few, if any, private citizens are willing to pay to attend them.

After passage of the Post-9/11 G.I. Bill in 2008, more federal dollars began flowing into the coffers of publicly traded for-profit colleges, many of which have come under scrutiny for deceptive or illegal practices. For example, a Senate report issued last summer noted that seven companies with relatively high levels of G.I. Bill revenue were under investigation by state attorneys general or federal agencies for deceptive and misleading recruiting or other possible violations of federal laws.

Last year, Corinthian Colleges — one of the top recipients of G.I. Bill money — admitted to falsifying job placement data or grade and attendance records at various locations and reached an agreement with the government to shut down or sell about 100 campuses. The Consumer Financial Protection Bureau later sued Corinthian, charging that it had lured tens of thousands of students to take out costly private loans to cover its overpriced tuition “by advertising bogus job prospects and career services.”

The Senate report complained that veterans were being drawn to for-profits in larger and larger numbers, despite the questionable quality of the education and the fact that the schools cost taxpayers on average twice as much as public colleges. But lawsuits and damaging revelations have not deterred the industry from defending the unseemly status quo.

In November, it went to court to challenge perfectly reasonable federal rules requiring career training programs to show that their graduates earn enough to pay back their loans if the schools are to remain eligible for federal aid.

This industry clearly needs to be cleaned up. Congress can take the simple step of revising the 90-10 rule so that G.I. Bill and Defense Department tuition are counted as what they clearly are: taxpayer dollars.

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