

Ill-Served: Why NYC Veterans Should Use Extra Caution When Choosing a For-Profit School

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Bill de Blasio
Mayor

**Consumer and
Worker Protection**

Lorelei Salas
Commissioner

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The Department of Consumer and Worker Protection (DCWP) acknowledges the authors of this report: Ulrike Nischan, Senior Research Analyst, DCWP Office of Financial Empowerment (OFE); and Amelia Josephson, Policy Analyst, OFE.

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Acronyms

DCA	Department of Consumer Affairs
DCWP	Department of Consumer and Worker Protection
DVS	NYC Department of Veterans Services
FOIA	Freedom of Information Act
FTC	Federal Trade Commission
GAO	Government Accountability Office
HCM	Heightened Cash Monitoring
OFE	Office of Financial Empowerment
VA	U.S. Department of Veterans Affairs

Introduction


Confronting the student loan debt crisis is a strategic priority for the Department of Consumer and Worker Protection (DCWP)¹. Since 2017, DCWP has released three reports about how the crisis is affecting New Yorkers:

1. A collaboration with the Federal Reserve Bank of New York, *Student Loan Borrowing Across NYC Neighborhoods* showed how student loan debt levels and student loan default rates vary across New York City neighborhoods.
2. In *Student Loan Debt Distress Across NYC Neighborhoods: Identifying Indicators of Vulnerability*, DCWP examined seven factors that are associated with student loan default, among them attendance at a for-profit institution, being Black or Hispanic, and low income.
3. In *Student Loan Debt Distress Across NYC Neighborhoods: Public Hearing and Policy Proposals*, DCWP outlined the scale of the student loan debt problem; highlighted findings from the two previous reports; summarized testimony from a June 2018 public hearing; and offered policy recommendations.

The findings in our second report prompted us to focus subsequent research on vulnerable borrowers. The resulting “vulnerable borrowers” series will feature three briefs.

This first brief, which documents our expanded research into for-profit colleges, focuses specifically on veterans who:

- make up a larger percentage of the undergraduate student body at for-profit institutions than at public and private nonprofit institutions (Arbeit and Horn, 2017); and
- are recruiting targets for for-profit colleges (U.S. Department of Education, 2016b).



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In their efforts to target veterans, for-profit schools have gone to great lengths, including paying for the creation of websites that appear to be government affiliated but are intended to generate referral traffic for for-profit schools and mislead visitors about their college options (United States Senate, 2012).

DCWP heard about this kind of targeting firsthand at *Speak Up, Speak Out: A Public Hearing about Student Loan Debt in NYC*, held in 2018. Tyson, a veteran and veterans’ education advocate, testified: “Even after working and sacrificing for their hard-earned GI Bill education benefits, tens of thousands of veterans are instructed by unscrupulous education companies to apply for federal student loans on top of their benefits. ... By the time these individuals realize they have been scammed, it is too late. Predatory education companies have taken the student veteran’s money leaving them with a worthless degree, few job prospects, and a mountain of debt they simply cannot afford to pay.”

Beyond public hearing testimony, problems in the for-profit college sector are revealed through the claims of thousands of student borrowers who have sought loan relief from the U.S. Department of Education after attending a for-profit school. “Borrower Defense” regulations, which are currently under threat from the Trump administration, allow students to apply for relief from the obligation to repay their federal student loans if the loans were taken out as a result of fraud, deception, or other violations of state law on the part of colleges and universities. In June 2019, at the request of Sen. Patty Murray of Washington, the Department released data on the 158,000 outstanding borrower defense claims. The data show that for-profit colleges generate a disproportionate number of these claims. Of the 47 schools that had 500 or

¹ In 2019, 50 years after its establishment as the Department of Consumer Affairs (DCA), the Agency was renamed the Department of Consumer and Worker Protection (DCWP) to reflect its expanded mandate. The Agency name is in the process of being legally changed.



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more borrower defense applications, all were for-profit schools or for-profit schools that had recently converted to nonprofit status (Walsh, 2019).

The 2019 data echo a previous examination of student borrower complaints, which found that the for-profit sector was responsible for 98 percent of borrower defense claims (Cao and Habash, 2018).

These reports are a strong indication that the for-profit sector leaves students feeling cheated.

In addition to generating a disproportionate share of fraud complaints, for-profit schools lag public and nonprofit schools in important outcomes metrics such as graduation rates and graduate earnings:

- The six-year graduation rate at four-year private for-profit colleges² is a meager 21 percent, compared to 60 percent at four-year public schools and 66 percent at four-year nonprofit schools.
- Average earnings for graduates of for-profit certificate programs are \$9,000 lower than for graduates of public certificate programs (U.S. Department of Education Press Office, 2016a).

Given the problems in the for-profit college sector, the targeting of veterans is an issue of serious concern for DCWP.

Through their service to the country, veterans earn the right to GI Bill funds that put higher education in reach and aid in the transition to civilian employment. However, the vast amount of money flowing into the Post-9/11 GI Bill program appears to have given

schools—in particular, for-profit schools—an incentive to target veterans.

The gains to be had in New York City alone are tremendous. On behalf of 5,293 NYC Post-9/11 GI Bill recipients, the U.S. Department of Veterans Affairs (VA) paid out over \$57 million in tuition benefits to approximately 530 schools in 2018.³

Unfortunately, all too often, veterans' tuition benefits go to for-profit programs and schools with poor graduation and employment outcomes⁴ that, in the words of Hollister K. Petraeus, the former head of the Office of Servicemember Affairs at the Consumer Financial Protection Bureau, “see service members as nothing more than dollar signs in uniform” (Petraeus, 2011).

While much has been written about the poor education and employment outcomes of for-profit institutions,⁵ this brief seeks to elevate the concerns of Tyson and other veteran activists by exposing the difficulties that veterans face in the educational marketplace and raising awareness about predatory for-profit colleges that target veterans and their families while, too often, failing to deliver value.

In the sections that follow, we:

- Provide the historical and policy context that drives for-profit schools to target veterans.
- Provide an analysis of VA data, obtained through a Freedom of Information Act (FOIA) request, that focuses on these specific questions:
 - Are for-profit schools targeting NYC veterans?
 - Are for-profit schools serving the needs of NYC veterans?
 - Are for-profit schools a sound investment for NYC veterans?
- Provide DCWP's conclusions and actions.

² For the 2011 cohort, the graduation rate within 150 percent of normal time for degree completion for first-time, full-time bachelor's degree-seeking students at four-year undergraduate institutions: https://nces.ed.gov/programs/coe/indicator_ctr.asp

³ DCWP Office of Financial Empowerment (OFE) analysis of Veterans Affairs (VA) FOIA Data. See Appendix A: Methodology.

⁴ See infographic from the Center for Analysis of Postsecondary Education and Employment (CAPSEE) for an overview of cost, completion, debt, earnings, employment, and student loan default outcomes at for-profit institutions at <https://capseecenter.org/research/by-the-numbers/for-profit-college-infographic/>

⁵ See CAPSEE; Cao, 2018; Deming, D. J., Goldin, C. and Katz, L. F., 2012; and Armona, Chakrabarti, and Lovenheim, 2018, to name just a few.

Background and History

The first GI Bill, called the Servicemen's Readjustment Act of 1944, was advanced to help returning World War II veterans transition to civilian life. The bill provided for an increase in veterans' hospitals and a range of veterans' benefits, including:

- low-interest housing and business loans;
- unemployment assistance; and
- education training benefits.

In recent years, GI Bill money has been increasingly earmarked for the education of veterans, notably through the Post-9/11 GI Bill and the Forever GI Bill.



Within five years of the passage of the first GI Bill, the number of for-profit schools grew from 1,878 to 5,635.

By many accounts the initial GI Bill was a great success and has often been credited for expanding the middle class. After the bill was passed, access to higher education expanded rapidly and, according to the VA, more than twice as many degrees were awarded in 1950 than 10 years prior (U.S. Department of Veterans Affairs, 2019).

But from the early days of the 1944 GI Bill, abuses by for-profit schools seeking access to these government funds have put veterans' and their families' financial futures at risk.

The initial growth of the for-profit education industry was funded in large part by GI Bill funds. Within five years of the passage of the first GI Bill, the number of for-profit schools grew from 1,878 to 5,635 (House Select Committee to Investigate Educational, Training, and Loan Guaranty Programs Under the GI Bill, 82nd

Cong., 2nd sess., February 1952, 12., as cited by Whitman, 2018). These schools churned through GI Bill benefits—and student veterans—offering many programs of dubious value. This prompted numerous newspaper articles and a lengthy investigation by the U.S. House of Representatives, which found “widespread” exploitation in the for-profit sector and noted that many for-profit schools were offering low-quality training and course options in fields with low or no potential for employment (The Teague Report as cited in Whitman, 2018).

As a result, when the GI Bill was passed in 1952 for Korean War veterans, stronger restrictions were placed on program eligibility. The new restrictions had a heavy impact on the for-profit school industry. In the two years following the second GI Bill's passage, the number of World War II veterans enrolled in a for-profit institution shrunk from over 600,000 to around 150,000 (Bradley Commission Report, April 1956, Chart III, 288, as cited by Whitman, 2018).

The problems in the for-profit education industry have not been exclusively related to GI Bill funds. Having gained eligibility for Title IV funds—general financial aid available to all qualifying students—for-profit schools came under scrutiny again in the 1970s when they were found to use aggressive tactics to enroll students (Whitman, 2017b).

In 1992, in response to a rapid increase in student loan defaults attributed to the rise of low-quality institutions and to evidence of fraud exposed by U.S. Department of Education, Government Accountability Office (GAO), Senate, and House investigations, Congress implemented the 85/15 Rule in an effort to protect federal Title IV funds (Lee and Looney, 2019).⁶ The theory behind the 85/15 Rule—relaxed in 1998 to the 90/10 Rule—was that if an institution offered a high-quality education relative to the price of attendance, such an institution would not rely on federal financial aid dollars for more than 85 percent of revenue. Instead, a viable institution should be able to attract at least 15 percent (in 1992, 10 percent currently) of its revenue from private dollars, either out

⁶ The 85/15 Rule, and later the 90/10 Rule, applied only to for-profit colleges because public and private nonprofit colleges are less dependent on Title IV federal student aid, whereas for-profit schools are significantly more likely to be reliant on federal funds. See: https://www.brookings.edu/wp-content/uploads/2019/01/ES_20190116_Looney-90-10.pdf

of pocket or through private loans, rather than relying solely on federal funds.⁷

Unfortunately, this effort to protect federal Title IV funds led to what is known as the “90/10 Loophole.” The only federal payments included in the 90 percent calculation of federal financial aid dollars were the grants and loans of Title IV funds administered by the U.S. Department of Education. Since GI Bill funds were not considered to be a significant source of revenue for schools at the time the bill was drafted, they were not included in the calculation of revenue that schools were allowed to draw from federal sources (Golden, 2009).⁸

As a result, GI Bill funds that for-profit colleges receive from the VA are counted toward the 10 percent of tuition dollars that were intended to come from private funds. This oversight—the 90/10 Loophole—has increased the incentive for for-profit institutions to recruit veterans. Indeed, a 2012 Senate investigation found evidence of aggressive recruitment practices that for-profit colleges used to attract veterans, including posting recruiters at veterans’ hospitals and misleading veterans about whether their GI Bill benefits would cover the cost of tuition (United States Senate, 2012).

The number of students enrolled at a for-profit college grew at a steady pace after the 85/15 Rule was watered down in 1998, then shot up from 1,478,231 in 2007, the year prior to the Post-9/11 GI Bill’s passage, to 2,430,657 in 2010 (National Center for Education Statistics, 2018). However, the trend reversed as regulations were once again tightened on for-profit schools (Beaver, 2017) and over 1,234 schools closed between 2014 and 2018 (Bauman and O’Leary, 2019). Approximately 88 percent of the schools that closed were for-profit, accounting for 85 percent of the students impacted by school closures (Chronicle of Higher Education analysis, as quoted in Vasquez and Bauman, 2019).

Over the last few years, the pool of for-profit attendees has decreased to numbers below those seen in 1998 (National Center for Education Statistics, 2018).

Nonetheless, for schools that are dependent on federal funds—that is, they do not attract substantial

Schools that rely more heavily on federal funds ... produce student loan borrowers with higher default rates and lower repayment rates than schools with more diversified funding sources.

private dollars—GI Bill funds remain an indispensable revenue source.

The U.S. Department of Education found that the number of for-profit schools that would exceed the 90/10 federal funding limits (in the 2013-2014 award year) would increase from 17 schools to 192 schools if revenue from the Post 9/11 GI Bill were included as federal funds in the calculation (U.S. Department of Education, 2016).

Research has shown that dependence on federal funds correlates with school quality. Indeed, a Brookings Institution report found that schools that rely more heavily on federal funds—and, as a corollary, are incentivized to meet the 10 percent target for non-Title IV funds by pursuing GI Bill dollars—produce student loan borrowers with higher default rates and lower repayment rates than schools with more diversified funding sources (Lee and Looney, 2019).

Moreover, low repayment rates and high default rates each serve as a marker of a low-quality school. If graduation rates are low or graduates experience poor labor market outcomes, any amount of student debt will result in loan repayment issues.

7 The idea harkens back to changes made in response to the significant abuse of World War II GI Bill funds by for-profit schools. As a response to these earlier abuses, Congress and President Truman added a precursor to the 85/15 Rule when crafting the GI Bill for Korean War veterans; the rule limited the share of GI Bill recipients enrolled in a particular non-accredited, non-degree program to be 85 percent or less (Whitman, 2017a).

8 Post-9/11 GI Bill benefits are a more generous form of GI Bill education benefits available to those with at least 90 days of aggregate active duty service after September 10, 2001 who were honorably discharged or who were discharged with a service-connected disability after 30 days of service.

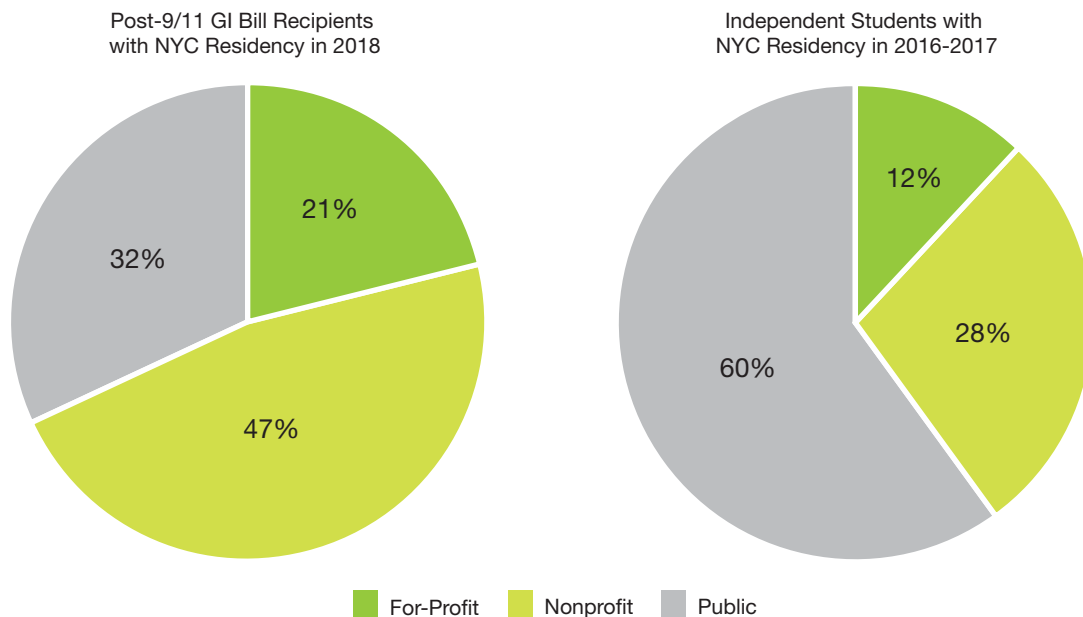
Are For-Profit Schools Targeting NYC Veterans?

For-profit schools have a history of targeting veterans. Figure 1 illustrates how they are targeting veterans in New York City. We compared the schools attended by degree-seeking GI Bill recipients with New York City residency with those attended by these recipients' closest comparison group—degree-seeking independent students with New York City residency.⁹ If veterans were not being targeted, we would expect the school choices of these two samples to largely align. However, we found that 12 percent of independent students across New York City attended a for-profit degree-granting institution in the

2016-2017 school year, while nearly twice as many GI Bill recipients (21 percent) attended a for-profit school in 2018. This was over three times the rate of for-profit attendance in the 2016-2017 school year among all NYC students (DCWP, 2018).¹⁰

GI Bill recipients come from diverse backgrounds. Some have already completed a degree and/or have more experience with the higher education landscape. Others have no experience and may come from backgrounds that put them at a disadvantage when it comes to higher education access.

Figure 1. Composition of Schools Attended by Degree-Seekers



Note: Left sample contains the 3,159 degree-seeking Post 9/11 GI Bill recipients with NYC residency in 2018. Right sample contains the 217,916 degree-seeking independent students with NYC residency in the 2016-2017 academic year.

Data Sources: (On left) DCWP Office of Financial Empowerment (OFE) analysis of VA FOIA data on NYC GI Bill Recipients matched with GI Bill® Comparison Tool data. See Appendix A: Methodology for further details; (On right) DCWP OFE analysis of National Student Clearinghouse data.

9 We adopted the National Center for Education Statistics practice of comparing veteran students to independent students based on similarities in age and financial aid status. See <https://nces.ed.gov/pubs2009/2009182.pdf>. In this report, we use age (those aged 25 and older) as a proxy for independent students. Note: The data used for Figure 1 come from different data sources.

10 For the sake of comparability with National Student Clearinghouse data, we limited the sample to undergraduate and graduate degree seekers only. If we include both non-degree seekers and attendees of undergraduate institutions who are not on a degree track, nearly 27 percent of GI Bill recipients attended a for-profit institution in 2018.

For-profit schools target the latter group, which include:

- students from low-income backgrounds;
- students of color;
- students with children; and
- older students (Deming, Goldin, and Katz, 2012; Taylor and Appel, 2014).

Our data does not let us fully explore the vulnerabilities of the 21 percent of NYC GI Bill recipients attending a for-profit college in Figure 1.¹¹ But we can identify the share of Black NYC GI Bill recipients by school type.

As Figure 2 shows, Black NYC GI Bill recipients, like Black students generally, are more likely than their white counterparts to enroll at for-profit colleges: 34 percent compared to 16 percent.

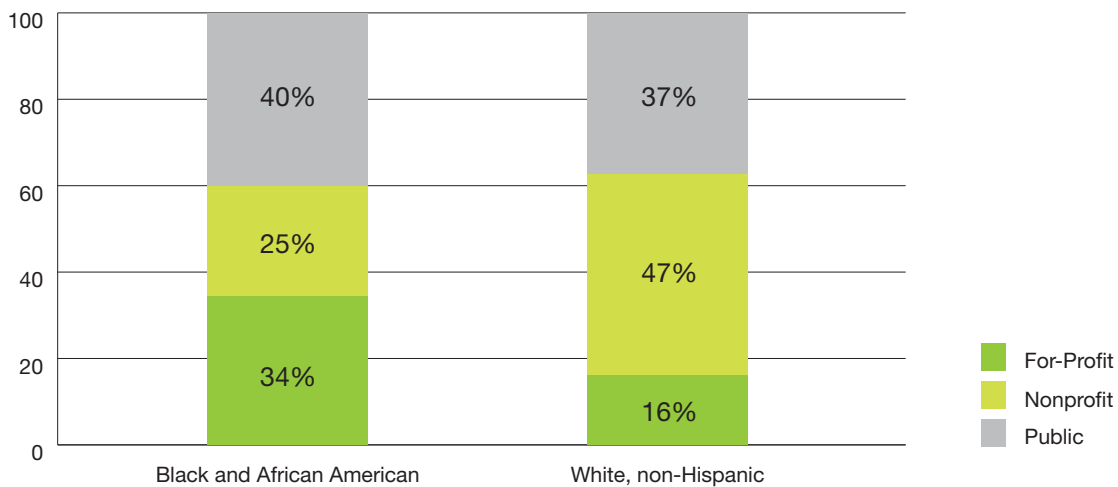
Black students are one of the most vulnerable groups when it comes to higher education.¹²

Research shows that Black for-profit school attendees struggle the most with student loan default (Scott-Clayton, 2018).

Also, Black students are overrepresented at for-profit schools—not just in New York City but nationwide (Smith and Parrish, 2014)—which:

- have lower graduation rates (National Center for Education Statistics, 2017);
- have higher borrowing levels;
- have worse employment outcomes (Armona, Chakrabarti, and Lovenheim, 2018); and
- repeatedly come under scrutiny for deceptive marketing practices (Veterans Education Success, 2014).

Figure 2. Composition of Schools Attended by Black, non-Hispanic Veterans with NYC Residency Compared to White, non-Hispanic Veterans with NYC Residency



Note: Sample includes 5,293 Post-9/11 GI Bill recipients with NYC residency in 2018. Sample is missing race and ethnicity data for 9 percent of observations. Even if all missing observations were Black or African American, the share attending a for-profit institution would still be over 18 percent higher than the share of all NYC Post-9/11 GI Bill recipients (approximately 34 percent compared to 16 percent). Numbers reflect rounding.

Data Source: DCWP OFE analysis of VA FOIA data on NYC GI Bill Recipients matched with GI Bill® Comparison Tool data. See Appendix A: Methodology for further details.

11 The VA data included only two characteristics: program type attended and race and ethnicity of the veteran.

12 Black borrowers in NYC are the focus of DCWP’s final brief in the vulnerable borrowers series.

Are For-Profit Schools Serving the Needs of NYC Veterans?

One argument in support of for-profit institutions is that they are serving a population in greater need of flexibility than other schools. This population includes older students, low-income students, students of color, and veterans, all of whom are more likely to have work and family obligations that prevent them from attending courses on a more traditional schedule. In their advertising, including on the New York City subway, for-profit institutions put heavy emphasis on phrases such as “convenience,” “balance,” and “flexibility.”¹³

However, even if for-profit schools offer more flexibility, are they serving students’ needs?

The point of flexibility is to enable “non-traditional” students to graduate and obtain high-paying jobs.

A school’s flexibility, then, should correlate with higher graduation rates than competitors, generous credit transfer policies, and higher graduate earnings.

To answer how well New York City for-profit schools serve veterans’ needs, we look beyond advertised claims of flexibility to actual policy and outcomes, including:

- ability to get school credit for military training to accommodate timely degree completion;
- graduation rates; and
- earnings, including whether students earn more than they would have without having studied at these institutions.

The decision to pursue an education beyond high school comes with trade-offs, particularly for older students. Each class undertaken is accompanied by a loss of income or loss of time with family.

The more expeditiously and affordably veterans can acquire the credits necessary to complete their degree and join the civilian workforce, the better. Beyond the toll of forgoing income and/or family time, the longer it takes, the more likely veterans will exhaust their time-limited GI Bill benefits and turn to student loans.

To facilitate on-time completion and, consequently, reduce overall tuition costs, many schools offer veterans credit for their on-the-job training and experience.¹⁴

Figure 3 on page 11 shows, across school types, the rate at which schools attended by NYC veterans offer credit for military service.¹⁵ The chart is clear: private schools—both nonprofit and for-profit—that NYC veterans attend offer credit for military service at a rate 17 to 20 percentage points lower than the public institutions that serve NYC veterans.

Veterans and Student Loans



Forty-two (42) percent of veterans borrowed federal loans at for-profit institutions in the 2015-2016 school year compared to 11 percent at public two-year schools and 32 percent at public and nonprofit four-year schools.



Veterans who earned bachelor’s degrees from for-profit schools had average student loan debt balances 20 percent higher than veterans who attended nonprofit and public institutions.

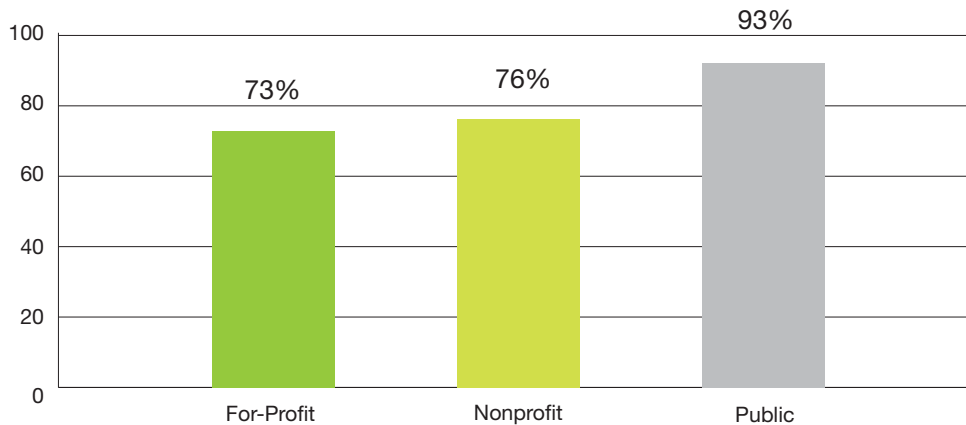
Source: *Veterans Education Success, 2019*

13 See advertisements for Ashford University: https://www.youtube.com/watch?v=RIgNS_uSSd0, DeVry University: <https://www.devry.edu/admissions/working-adult-applicants/work-education-balance.html>, Strayer University: <https://www.strayer.edu/why-online-learning/flexible-learning>, all retrieved on October 11, 2019.

14 Either through recognition of documented credits earned or through college placement testing.

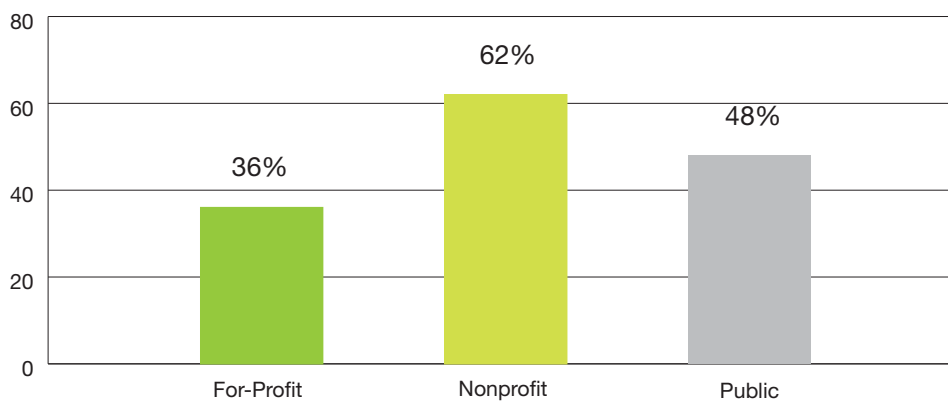
15 The analysis was limited to undergraduate degree-granting institutions in acknowledgment that certificate programs may be too specialized to allow credit for skills learned during military service, whereas most undergraduate programs have general education requirements that would better allow for such an arrangement.

Figure 3. Share of Undergraduate Degree-Granting Institutions Attended by NYC GI Bill Recipients Offering Credit for Military Training, by School Type



Note: Sample is limited to the 219 open GI Bill-eligible institutions attended by NYC undergraduate degree-seeking GI Bill recipients in 2018 and currently listed in the VA GI Bill® Comparison Tool. Fourteen schools were missing information and were not included in the calculation. Data Source: DCWP OFE analysis of VA FOIA data on NYC GI Bill Recipients matched with GI Bill® Comparison Tool data. See Appendix A: Methodology for further details.

Figure 4. Graduation Rate for First-time Students (150% Normal Time) at Four-year Degree-Granting Schools Attended by NYC GI Bill Recipients, by School Type



Note: Sample includes 231 four-year degree-granting schools, comprising the schools attended by approximately 60 percent of NYC residents receiving Post-9/11 GI Bill funding in 2018. Data Source: DCWP OFE analysis of VA FOIA data on NYC GI Bill Recipients matched with GI Bill® Comparison Tool data then matched to U.S. Department of Education College Scorecard data for the 2016-2017 school year, the most recent data available. See Appendix A: Methodology for further details.

To get a better understanding of completion outcomes at for-profit schools, in Figure 4, we look at the graduation rate for four-year degree-granting schools attended by NYC GI Bill recipients in 2018.¹⁶ While the highest graduation rates are found at private nonprofit schools, 62 percent, the lowest graduation rates are

¹⁶ Sample is limited to four-year degree-granting schools to improve comparability of metric. Public two-year colleges have lower degree completion rates partially attributable to students who attend with the goal of improving their academic record enough to transfer to another institution. Because the successful cases of students improving their academic record, transferring before degree completion, and achieving outcomes at the transfer institution are not acknowledged in the two-year public college completion rates, we feel the completion metric is an inaccurate reflection of the value of two-year public colleges.

found at for-profit schools, 36 percent, which is a full 12 percentage points lower than at public schools.

To illustrate the earnings outcomes for attendees of for-profit colleges, in Figure 5, we show the share of students whose earnings 10 years after having started their degree is less than the median income of comparable high school graduates with no college. We found that, at 19 percent of for-profit schools attended by NYC GI Bill recipients in 2018, median earnings were equal to or less than the median of earnings for comparable high school graduates who had not attended college. A much lower percentage of public school attendees, 6 percent, did not see a gain in earnings over a high school degree, and just 2 percent of private nonprofit school attendees were in the same position.

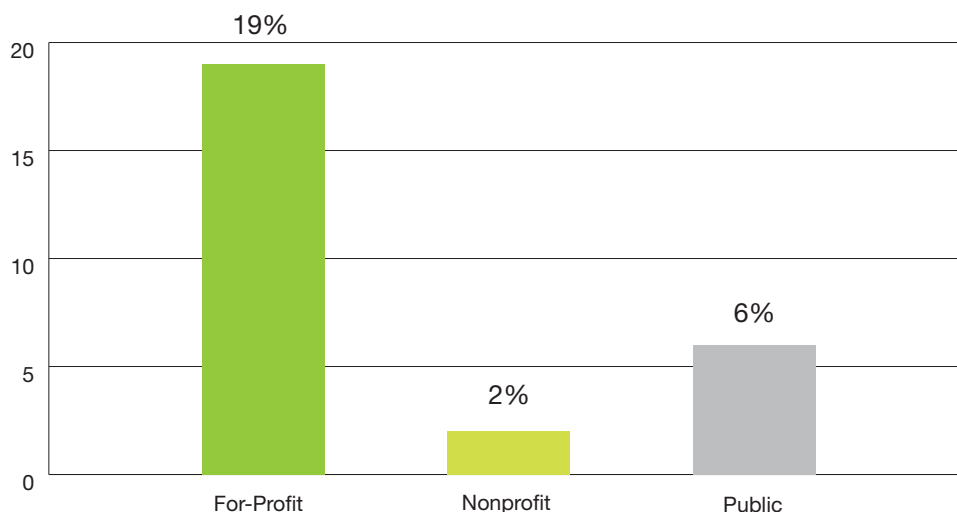
Serving veterans' needs extends beyond providing flexible class schedules. If students are unable

to complete their degree or to do so on time, the financial costs and opportunity costs build. At best, the graduate has used more GI Bill funds than necessary to complete the degree. At worst, the student has no degree and nothing to show for the time.

For-profit schools underperform nonprofit and public schools when it comes to on-time degree completion and facilitating degree completion by crediting the work experience of veterans.

Also, flexibility is of dubious value if it does not lead to higher earnings. Yet, at over one fifth of all for-profit schools attended by NYC GI Bill recipients, earnings outcomes are the same or less than high school degree holders who had no college experience.

Figure 5. Share of Schools Attended by NYC GI Bill Recipients in 2018 with Median Earnings Lower than Median Earnings of a High School Graduate-No College (\$28,000), by School Type



Note: Median earnings are measured for a cohort 10 years after starting school. The equivalent high school graduate earnings, i.e., the same number of years after high school graduation, is \$28,000, an approximation commonly used by the U.S. Department of Education College Scorecard. Sample includes 361 schools, accounting for the schools attended by approximately 86 percent of NYC residents receiving Post-9/11 GI Bill funding in 2018.

Data Source: DCWP OFE analysis of VA FOIA data on NYC GI Bill Recipients matched with GI Bill® Comparison Tool data then matched to U.S. Department of Education College Scorecard data for the 2014-2015 school year, the most recent data available. See Appendix A: Methodology for further details.

Are For-Profit Schools a Sound Investment for NYC Veterans?

If a school is not on solid financial and regulatory footing, it could lose eligibility for federal funds and even close. This hurts its current students who may not be able to transfer elsewhere and its graduates whose reputations are tied to the school.

To evaluate the stability of New York City schools that serve veterans, we looked at three metrics:

1. share of schools attended by NYC veterans that have received a “caution flag” from the VA signaling fiscal or regulatory issues;
2. share of schools that have lost access to GI Bill funding; and
3. share of schools that have closed.

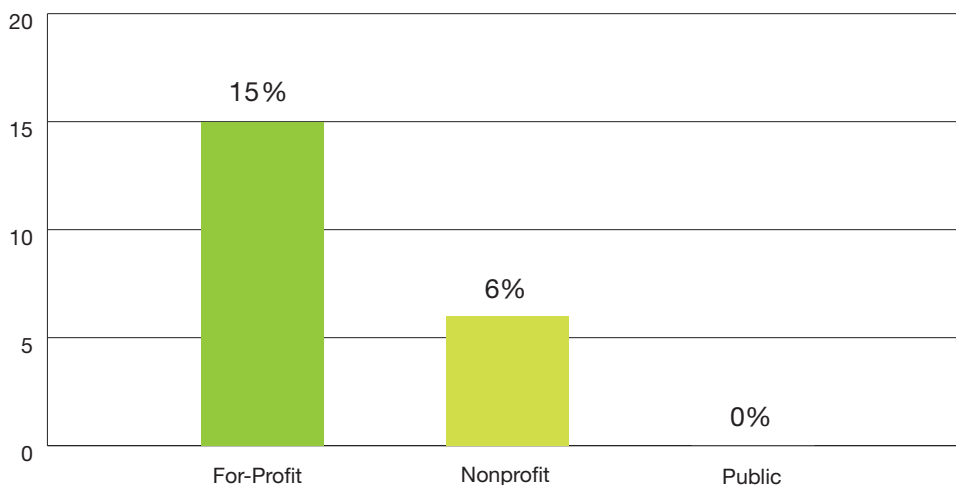
The VA has compiled a list of caution indicators that students should be aware of prior to enrolling in a GI Bill-eligible program. The VA applies the caution indicator to any school that is under increased legal or regulatory scrutiny from either the VA, the

U.S. Department of Education, or another federal agency. The indicators range from Heightened Cash Monitoring (HCM) by the institution’s accrediting body—for example, because of a high student loan default rate or because the school has accreditation problems—to being the subject of a lawsuit filed by the Federal Trade Commission (FTC), the agency that enforces rules against deceptive marketing practices, among other consumer protection matters.

In Figure 6, we present the share of schools with a caution flag by school type.

Most schools with a caution flag from the VA either faced HCM or a combination of HCM and a settlement with a federal agency. Of all the for-profit undergraduate schools attended by NYC GI Bill recipients in 2018 that are still open and able to receive GI Bill funds, 15 percent received a VA caution flag, compared to just 6 percent of private nonprofits and no public institutions. The 15 percent of for-profit

Figure 6. Share of Schools Attended by NYC GI Bill Recipients in 2018 Flagged for Caution by the VA, by School Type



Note: Sample is limited to the 502 open GI Bill-eligible institutions attended by NYC GI Bill recipients in 2018 and currently listed in the VA GI Bill® Comparison Tool. Approximately 32 additional schools had withdrawn or were no longer eligible for GI Bill funding when this analysis was conducted using 2019 data.

Data Source: DCWP OFE analysis of VA FOIA data on NYC GI Bill Recipients matched with GI Bill® Comparison Tool data. See Appendix A: Methodology for further details.

schools with a caution flag educated 21 percent of NYC GI Bill recipient for-profit students in 2018. This means that one out of every five NYC GI Bill recipient for-profit students attended a school with serious operational and financial issues.

To show the churn of for-profit schools, in Figure 7, we present the share of schools attended by NYC GI Bill recipients in 2014 that were no longer GI Bill-eligible five years later, in 2019, either due to closure or lack of approval or suspension.¹⁷

Whether a school is still able to receive GI Bill funds is important, as that shows its ability to meet the expectations of the VA and the State Approving Agencies, which evaluate schools. We found that of the for-profit and private nonprofit schools attended by GI Bill recipients in 2014, 5 percent were no longer approved to receive GI Bill benefits by 2019. Among public schools the figure was 1 percent.

More indicative of a school’s stability is the closure rate. School closure can be inconvenient for graduates and a devastating blow to students actively pursuing a degree.

In testimony before the House Subcommittee on Economic Opportunity, the GAO noted that school

closures have increased in recent years, and veterans who attend schools that close often struggle to get their Post-9/11 GI Bill benefits reinstated or to complete their degrees before these time-limited benefits run out (Emrey-Arras, 2019).

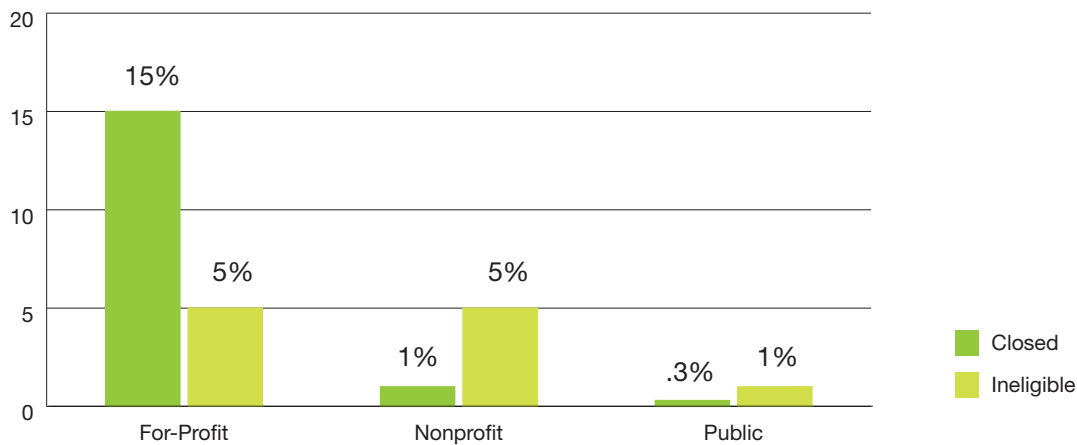
As Figure 7 shows, school closure is a significant problem among for-profit schools attended by NYC veterans. For NYC GI Bill recipients studying in 2014, 15 percent of the for-profit schools they attended had closed within five years, compared to 1 percent of nonprofit schools and less than 1 percent of public schools.

The impacts of closures vary depending on whether a school arranges for current students to finish their degrees, including through a transfer agreement with another institution, or if the school abruptly closes without such an arrangement in place.

Recent high-profile closures have left students scrambling to make sense of their situation and have even left at least one family homeless (Vasquez and Bauman, 2019).

While former students may not experience the immediate fallout of a school closure, students wishing to transfer credits or pursue a higher degree later on

Figure 7. Share of Schools Attended by NYC GI Bill Recipients in 2014 that Closed or Became Ineligible for GI Bill Funding by 2019, by School Type



Note: Sample is limited to the 841 schools attended by NYC GI Bill recipients in 2014. For five schools, the school type was unknown, so they were not included.

Data Source: DCWP OFE analysis of VA FOIA data on NYC GI Bill Recipients matched with GI Bill® Comparison Tool data. See Appendix A: Methodology for further details.

¹⁷ Not shown here, but of the for-profit schools attended by NYC GI Bill recipients in 2014 that are still open and eligible for GI Bill funds, 19 percent have a caution flag by the VA, compared to 3 percent of public and private schools.

may find it difficult to obtain the proper paperwork needed to do so. And graduates in fields that require degree verification may be unable to meet the requirements for verification.

Attending a for-profit school is a risky bet for veterans. Around 15 percent of for-profit schools currently

approved to receive GI Bill funding have a serious fiscal or operational issue and, if history is a predictor, a good chunk of these schools will either close or lose access to GI Bill funding in the coming years.

Conclusions and Actions

For-profit schools have a history of targeting veterans. Though they market themselves as veteran-friendly, for-profit schools attended by NYC veterans have poor graduation and earnings outcomes and are less likely to offer credit for military experience.

Further, for-profit institutions are more likely to have a serious operational or financial issue or be the subject of a federal lawsuit for violating consumers' rights.

Indeed, the longevity of these institutions and their ability to continue to serve veterans is seriously in question, as 20 percent of for-profit schools attended by students in 2014 had either closed or were ineligible to access GI Bill funds by 2019.

Our findings also point to the urgent need to close the 90/10 Loophole, removing the incentive for for-profit colleges to target veterans and their families and increasing accountability in the for-profit sector. DCWP joins dozens of veterans service organizations in calling on lawmakers to close the loophole.¹⁸

While closing the loophole would be a significant step to protect veterans across the country, it will require action at the federal level. To provide veterans in New York City with guidance while federal efforts to close the loophole are ongoing, DCWP is collaborating with the NYC Department of Veterans Services (DVS) on resources to help student veterans choose schools and programs that will help them optimize their GI Bill benefits and avoid student loan debt stress.

While DCWP is sensitive to the argument that not all for-profit schools raise doubts about their quality and business practices, in this brief, we show that there is sufficient cause for students, in particular veterans with GI Bill benefits, to use increased caution when deciding whether to attend a for-profit institution in pursuing their post-service dreams.

¹⁸ For signatories to a recent letter calling on federal lawmakers to close the 90/10 Loophole, see <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5cca11f91905f41be87648f5/1556746746801/VSO+MSO+HEA+Priorities.FINAL.2May2019.pdf>

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Appendix A: Methodology

In March 2019, the Department of Consumer and Worker Protection (DCWP) submitted a Freedom of Information Act (FOIA) request to the U.S. Department of Veterans Affairs (VA), seeking information about how veterans with New York City residency use their GI Bill benefits. We received a response to the request in August 2019 with data for the years 2012-2019. Among other data points, information included:

- the school;
- VA facility code;
- program type attended; and
- race and ethnicity of the veteran.

To gain more information about the schools attended by NYC veterans, we matched the data with the GI Bill® Comparison Tool.¹⁹

The VA developed the GI Bill® Comparison Tool to lessen veterans' vulnerability to aggressive recruitment tactics and to help student veterans choose a school that meets their needs. Through the comparison tool, student veterans can see how much of their GI Bill money would be required per term at a given school. The tool also shows important quality indications such as student complaints and "caution flags," which indicate that the VA or other federal agencies applied increased regulatory or legal scrutiny to a program at the school.

Schools not included in the VA GI Bill® Comparison Tool, e.g., schools that are no longer eligible for GI Bill funding because they closed, were first matched to the School Closures tab of the comparison tool, then, if missing, to the schools in the Closed School Search File²⁰ available from the U.S. Department of Education.

As a last resort, we performed a Google search where either the school status was unknown or where the school type was unknown.

Only students attending non-college degree, undergraduate degree, college, non-degree, and graduate programs were included in the data. In some cases, where noted, we limited the analysis to a subset of these programs to enhance comparability. All mentions of GI Bill recipients and amounts strictly refer to Post-9/11 GI Bill benefits only. Post-9/11 GI Bill recipients accounted for 73 percent of all GI Bill payments in fiscal year 2016 (Veterans Education Success, 2018).

For two data points, in Figures 4 and 5, we obtained the data by merging the schools in our FOIA data set with information from U.S. Department of Education's College Scorecard using the OPEID²¹ listed in the GI Bill® Comparison Tool.²² As there were many schools missing information in the College Scorecard data, we noted the share of students attending the schools for which we had available data. See Notes under Figures.

¹⁹ Available at <https://www.va.gov/gi-bill-comparison-tool/>

²⁰ Available at <https://www2.ed.gov/offices/OSFAP/PEPS/closedschools.html>

²¹ Office of Postsecondary Education Identification Number (OPEID)

²² Available at <https://collegescorecard.ed.gov/data/>

