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## Is the Bang Worth the Buck? An Analysis of the Role of For-Profit Colleges in America

### **Introduction**

In April 2015, Corinthian Colleges, a collection of for-profit colleges across the nation, shut down abruptly. After being fined nearly thirty million dollars for defrauding its students through misrepresenting job placement and grade data, the organization declared bankruptcy and closed down each and every one of its campuses with no prior notice. Nearly 16,000 students attended classes on Friday, only to then discover that they had no classes to attend on Monday. News stations across the country exploded; Corinthian Colleges was lambasted as a scam, and public opinion of for-profit education saw a sharp drop.

The Obama administration consistently took a harsh stance against for-profit colleges. While in office, President Obama and his administration enacted legislation to impose regulations on for-profit colleges and the federal financial aid that is sent their way with the purpose of preventing for-profit colleges from taking advantage of students.

The Trump administration, however, has veered in the other direction. Already, Education Secretary DeVos has worked towards getting rid of two Obama-era regulations designed to cut federal funding from low-performing for-profit schools and has begun ignoring requests to forgive loans obtained by students who were defrauded by for-profit education.

With this tumultuous back-and-forth of policies, a solid understanding of the debate surrounding for-profit education is more pertinent than ever. My stance follows along the lines of

that of President Obama: The benefits that these institutions provide to in-need communities across the nation are undeniable, and getting rid of them would only compound the issues that these communities face, but nonetheless, for-profit institutions cannot simply be given a pass to function however they please. As the past has shown, allowing this has led to schools severely taking advantage of and defrauding their students. In addition, it is taxpayer money that gets funneled into the financial aid provided to these schools, so the government has a responsibility to ensure that the money is not spent funding fraudulent institutions. Thus, for-profit institutions should still be allowed to run and earn financial aid, but strict regulations must be in place, like those of the Obama era ensuring that such schools lose funding if their students do not fare well post-graduation.

### **When Money Meets Education: An Overview of For-Profit Colleges**

The name “For-Profit College” is perhaps a misnomer, as nearly all colleges have an objective of earning money—money is needed to maintain a campus (both real and virtual) and pay faculty and staff, and as such, nearly all colleges need to seek profit by way of tuition and endowments. The difference, however, between the for-profit model of education and the traditional nonprofit model of education is how the colleges are run. The traditional nonprofit college is run and controlled by a board of directors. Nobody owns stakes in the college, and the college’s sole purpose is educating its students. The for-profit model, however, seeks to apply common market principles to the world of education. For-profit colleges either have several shareholders who own shares of the college or are otherwise publicly traded, and the college operates with the purpose of turning a profit for the shareholders. Since for-profit colleges are

detached from traditional nonprofit colleges, they have a lot more room to experiment with newer, alternative methods of education, and as a result, for-profit colleges have been pioneers in many areas of education, such as online classrooms.

For-profit colleges actually trace their roots all the way back to colonial times, when a lack of places offering a formal education gave educated clergy the opportunity to offer classes in their homes or the church in exchange for a fee. As local universities of the time focused on heavily humanities-oriented subjects such as literature and philosophy, for-profit schools grew to teach trades such as bookkeeping and engineering.

For-profit schools have stuck around for the past three centuries, but until recent decades, they were never particularly big. Everything changed, however, when John Sterling opened the University of Phoenix, which encountered wild success. Sperling's demonstration that a university could be a publicly traded business sparked a chain reaction that caused an increase from only 0.2% of degree-seeking students being enrolled at for-profit schools in the early 1970s to a whopping 12% in 2012 (Hanford).

### **For or Against: The Basic Stances**

The benefits of for-profit colleges lie mainly in the sheer improvement they have provided to accessibility to higher education. The standard nonprofit model of education is particularly well-suited to recent high school graduates looking to be full-time students and get a broad education, whereas people who are past their early 20s, have jobs that they lean on for a living, and possibly have additional family members to support, are typically left behind by this model. For-profit education, however, through convenient locations and even online classrooms,

are particularly attractive to those who have already busy lives but want to continue their education and improve their job prospects. For-profit schools especially have a track record of servicing low-income and minority communities, two of the most struggling communities in the United States.

For-profit colleges, despite touting increased access to education, are often more expensive than their public or private nonprofit counterparts. In addition, various studies have concluded that in many cases, the quality of education at for-profit schools is significantly worse than that of nonprofit schools, and in many instances, students have found themselves completely unprepared for the jobs they entered post graduation. For-profit colleges like Corinthian have been shrouded with scandals, and some research even suggests that for-profit institutions systematically encourage students to take out bad loans.

### **Benefits of For-Profit Education**

In recent decades, the desire to attend higher education has skyrocketed, and finding ways to accommodate everyone who wishes to earn a degree has been a difficult topic nationwide. State universities and community colleges alike are experiencing over-runs, yet events like the 2009 recession have played a large role in convincing people that without a degree, a stable, high-paying job is near impossible to attain. For-profit colleges, through their flexibility and convenience, have worked wonders in increasing the accessibility of higher education in a time with such high demand for it.

In a time of widespread wealth inequality, the communities which are most struggling to gain access to education are the low-income and minority communities. Tiffany Boykin, a

researcher with a PhD in higher education from Morgan State University and an expert in the topic of urban education, stands firmly in support of for-profit schools precisely because of benefits they provide to these communities in need. As a black woman herself, she specializes in education for black and other minority communities in the United States, and her research has won her multiple awards for her contributions to the field. In her article, “For-Profit, For Success, For Black Men: A Review of Literature on Urban For-Profit Colleges and Universities,” published in the journal *Urban Education*, she contests that for-profit schools provide tremendous benefit to low income and minority communities, and that we should be actively bringing them into our nation’s plans for improving education.

One of the primary benefits of for-profit schools that minorities report is their directness with job training. Rather than being made to go through a series of liberal arts requirements over the course of many years, students at for-profit colleges get career and skill training that can be directly applied to help them get jobs. Nowadays, it is near impossible to get a high paying job without a college degree, so many in minority communities across the country see for-profit universities as an easy route to get a degree and enter the workforce as a competitive applicant. While the idea of a broad liberal arts education is attractive to some, job stability is the sole priority for many others, and for-profit institutions provide necessary job training skills. For-profit colleges offer a way to climb the social ladder and earn a high-paying stable job -- something that would previously have been near unattainable in these communities.

In addition, minorities typically live in heavily urban areas. Though there are some nonprofit colleges that situate themselves in urban areas, there aren’t very many--certainly not enough to satisfy the demand created by the amount that wish to earn a degree. For-profit

schools are especially convenient in this regard, as they are often situated in dense urban areas, so for-profit colleges are particularly appealing to those who would not have wanted to leave home to attend college. In fact, nearly 82% of students enrolled in for-profit institutions don't have a nonprofit alternative in their zip-code!

Even more convenient than a school in your neighborhood is a school that follows you wherever you go. Many for-profit schools offer degrees that can be obtained purely through online courses. For people with children, obtaining a degree through a nonprofit school is near-impossible, whereas being able to attend class in the comfort of your own home after putting your child to bed is a unparalleled convenience that for-profit colleges offer. The people that for-profit colleges help most are those that are most in-need, and for them, for-profit colleges are the key to achieving the American dream and giving their children better lives.

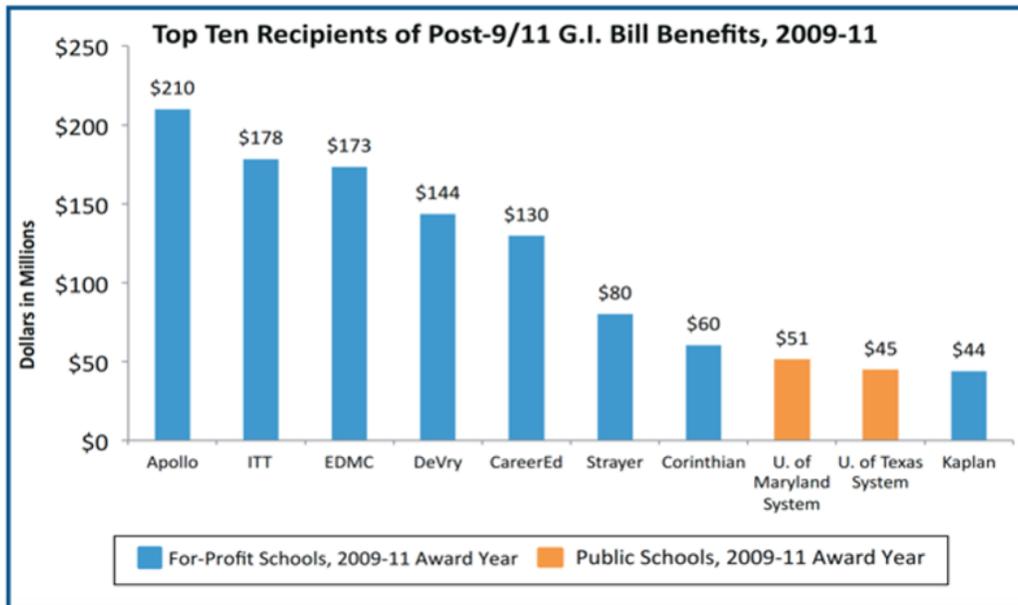


Figure 1: Top Ten Recipients of Post-9/11 G.I. Bill Benefits

[https://www.help.senate.gov/imo/media/for\\_profit\\_report/PartI-PartIII-SelectedAppendixes.pdf](https://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf)

Another important group that benefits from for-profit colleges is veterans. For largely the same reasons that low-income and minority students choose for-profit colleges (accessibility, ability to attend despite having a family, etc), veterans opt to use their post-9/11 G.I. bill benefits towards for-profit colleges. In fact, as indicated by figure 1, eight out of the top ten recipients of said benefits between 2009 and 2011 were for-profit institutions, the top being Apollo College getting a massive \$210 million. As veterans are often a group that sees difficulty re-entering society, for-profit institutions provide them with a path in the right direction as well as skills they can apply to future jobs.

### **Critiques of For-Profit Education**

Although for-profit schools have largely increased the accessibility of higher education, these schools should still be looked at from an objective standpoint in terms of cost and quality of education -- how much bang are students getting for their buck? As it turns out, for-profit schools are often very expensive, and in some cases, the quality has been shown to be rather poor, so with a small bang for a large buck, the question to be asked is: are these schools worth it? To fully gauge potential return-on-investment for for-profit colleges, a comparison to nonprofit institutions must be drawn. The primary comparison to make is cost, and in that regard, for-profit colleges can be shockingly expensive. As an example, in a takedown article written by Hannah Appel and Astra Taylor titled, "Education with a Debt Sentence: For-Profit Colleges as American Dream Crushers and Factories of Debt," the authors bring up the example of medical assistant programs: "The Medical Assistant program at for-profit Heald College in Fresno, California costs \$22,275. A comparable program at Fresno City College costs \$1,650" (32). This

is certainly an extreme example, but nonetheless, for-profit colleges routinely cost around twice as much as their public counterparts.

In addition, there are many instances in which students that have enrolled in for-profit institutions have found their training to fail to come close to preparing them for their job. In one instance, three women enrolled in a year-long nursing program at for-profit Everest College after having been told that they would make \$25-\$35 per hour following their training. What they learned, however, ended up having extremely little to do with nursing. Instead, they made regular visits to the museum of Scientology to study “psychiatrics,” and they took turns visiting a daycare center for their “pediatrics rotation.” As a result they each paid around \$30,000 while remaining unemployable.

Another area in which for-profit colleges have received significant criticisms is their recruiting techniques. For example, an internal document from for-profit Corinthian Colleges (the owner of various for-profit colleges) shows that recruiters were specifically instructed to target people who have “few people in their lives who care about them and [are] stuck in their lives, unable to imagine a future or plan well” (Appel and Taylor, 33). This of course begs the question, are these schools actually trying to help in-need communities, or are they simply exploiting some of the most vulnerable segments of the population?

### **For-Profit Education from a Student Debt Perspective**

Student debt is a monstrous problem in this country--one that undoubtedly needs immediate attention and action. In fact, the current total accumulated student loan in the nation is around \$1.16 *trillion* -- that’s more than the total credit card debt (\$700 billion) and total car-loan

debt (\$955 billion). For-profit institutions, it seems, don't play a very nice role in this problem. Since tuition costs at for-profit colleges are so high and for-profits tend to attract low-income students, a striking 96% of students leave with some amount of debt to the government, nearly twice as much as that of public and private for-colleges. In fact, studies have been conducted like that of John Goodell's "Do for-profit universities induce bad student loans?" Goodell, an associate professor in The University of Akron, Ohio's finance department, poured through past studies and new data points to compare the default rates of students at nonprofit college versus for-profit colleges. The data demonstrated that default rates from those that attended for-profit institutions were on average significantly higher than that of nonprofit colleges. This is not a particularly surprising statistic though -- for-profit colleges attract on average lower income students, so naturally these students would be at a higher risk of defaulting on loans.

The significance of Goodell's results, however, come from the fact that he analyzes the situation even after controlling other factors such as percentages of low income and minority students. Despite this, the default rates at for-profit colleges are still roughly 5-6 percentage points higher than that of nonprofit colleges. These results suggest that for-profit colleges have actually been systematically encouraging their students to take out bad loans, at least more so than at public and private schools. This type of behavior only further strengthens the "for-profit colleges just want to make a quick buck" narrative, and although for-profit colleges increase education accessibility for struggling communities, the value these schools provide is minimized if their students are forced to default on these student loans.

### **A Philosophical Argument against For-Profit Education**

Throughout this essay, many harms for-profit colleges have committed and the potential for future harms are highlighted, and these on their own could constitute a counter case. However, another prominent argument against for-profit colleges comes not from the practicality of them, but rather from the philosophical questions of the purpose of education. Namely, when education is viewed as a public good, increasing access to education should be a goal worth pursuing for its own sake, yet for-profit colleges pursue this expansion solely with the purpose of profit. Naturally, when an educational institution cares more about making money for its shareholders than about its students, ethical concerns are immediately brought up. This is easily seen in the recruitment tactics in the leaked Corinthian documents, where recruiters were told to target vulnerable people. When someone enrolls in such an institution, the college generates revenue, regardless of how the student actually performs in the college. Thus, when the sole purpose is producing revenue, the college has every incentive to get as many people as possible to enroll, but a much smaller incentive to ensure that the students thrive. This is where regulations come into place. Regulations that ensure that for-profit colleges can only thrive if they stay dedicated to their students, rather than just if they dedicate their efforts to recruiting students, minimize these ethical dilemmas because they force the institutions to see their students as students instead of opportunities to make a quick buck.

### **Regulations and Recommendations**

In crafting my position, the criticisms of for-profit colleges were front and center and glaring; it is very hard to ignore the past. In addition, I found myself confronting my personal bias over and over again. I am a white high-school graduate attending an elite nonprofit private

institution. During the grueling process of applying to colleges, the idea of going to a for-profit college never once entered my mind, and beyond that, as far as I know, I've never actually met anyone who attended a for-profit college. My prior experience with for-profit institutions has been limited to the commercials I've seen for DeVry and ITT Tech and the scandals I've read about on the news. I've lived my life in a bubble that lacked for-profit colleges.

Despite this, I stand in support of for-profit colleges. Although I don't belong to any of the primary communities that benefit from for-profit colleges, I cannot look past the benefits provided to some of the most underserved communities in this country. Inequality in this country is staggering, and sitting by with no action accomplishes nothing -- instead, these for-profit colleges proactively provide those whom inequality has hit most harshly with the opportunity to overcome their troubles and make a better living for themselves.

I have been extremely privileged to be able to attend college and get a degree and most likely enjoy a reasonable amount of job security after, but the simple reality is that the majority of this nation is not in my shoes, and for those in minority and low-income communities, such an opportunity is often near impossible without for-profit colleges. This is why I stand in support of for-profit colleges.

The criticisms outlined by Appel, Taylor, Goodell, and many others are not unfounded though. An institution that systematically scams students into taking out bad loans before proceeding to deliver them a mediocre education is not an institution that has a place in modern society. Unfortunately, as history has shown with the instance of Corinthian, for-profit colleges have the potential to do exactly that. This is why regulation is necessary, and protection must be in place for defrauded students.

Something to keep in mind is that many of the scandals of for-profit colleges originated from one place: Corinthian Colleges. The three nurses mentioned earlier attended Everest College, the overpriced medical assistant program mentioned earlier was that of Heald College, both of which were members of Corinthian Colleges; even the documents regarding recruiters' immoral tactics came from Corinthian. Corinthian Colleges was justifiably sued many times, ultimately leading to its bankruptcy and its shutting down. This is not to say that the Corinthian Colleges are the only for-profit colleges with scandals attached to them, but it suggests that there could be a few "bad apples" in the industry as opposed to the majority of for-profit institutions being corrupt.

The "Gainful Employment" regulation that the Obama administration put in place is an excellent starting point for addressing the faults in for-profit education. The rule required colleges to track how their graduates fared in the job-seeking world a few years post graduation, and it cut funding from schools that underperformed. This directly addresses the issue that for-profit colleges give low quality education and job preparation because it essentially kills off schools which fail to ensure their graduates are capable of getting satisfactory jobs. In fact, the rule triggered the closing of over 1,000 programs, weeding out the bad apples, so to speak.

Another step in the right direction that the Obama administration put into place is the various cases of loan forgiveness that were approved in the name of being defrauded by a for-profit institution. While gainful employment regulations will hopefully diminish the number of instances of students getting defrauded by for-profit colleges, a system must remain in place for those who are still affected by such institutions.

Furthermore, as taxpayer money is what funds federal financial aid, a close eye needs to be kept on where said money ends up. Although providing federal financial aid to for-profit colleges to ensure that the minority and low income communities can benefit from the education opportunities provided to them seems like a good idea at face value, research demonstrates otherwise. In an article from *The Journal of Policy Analysis and Management* aptly titled “The Case for Limiting Federal Financial Aid to For-Profit Colleges,” authors Stephanie Riegg Cellini and Cory Koedel argue that federal student aid should ultimately be significantly cut from for-profit colleges. The article ultimately references a study which documents thousands of for-profit colleges existing outside the federal financial aid system with substantially lower tuition than their financial-aid-receiving counterparts. This suggests that not only can for-profit colleges thrive without financial aid, but furthermore, restrictions on the financial aid they receive may even help lower costs overall.

## **Conclusion**

For-profit colleges are founded on the idea that a college could be run through fundamental market principles, and ultimately, that’s what they are doing. They are a response to the growing demand for higher education in areas across the country which have otherwise had little to no opportunities for higher education. While many institutions perished at the hands of stronger regulations from the Obama administration, many have also persisted with no indication that they’ll be gone any time soon.

In fact, with the Trump administration in power, it looks like for-profit colleges are no doubt here to stay. Unfortunately, however, the administration is veering in the exact opposite

direction necessary to ensuring that the issues with for-profit colleges disappear. Namely, they have been working to roll back the gainful employment regulations put in place by the Obama administration, which would ultimately return us to a state in which for-profit colleges could carry on the torch of Corinthian and continue scamming students. In addition, the loan forgiveness requests has a backlog of more than 65,000 students hoping to be forgiven on the grounds of being defrauded, and there is no indication that they will be processed any time soon.

With decisions like these being made blatantly disregarding the security of people that get targeted by for-profit colleges, now is the time to act and lobby for keeping proper legislation and regulation in place.



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