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FOR-PROFIT SCHOOLS: THE STUDENT RECRUITMENT EXPERIENCE

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

ON

EXAMINING FOR-PROFIT SCHOOLS, FOCUSING ON THE STUDENT RECRUITMENT EXPERIENCE, AND UNDERCOVER TESTING TO OBSERVE MARKETING PRACTICES

AUGUST 4, 2010

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FOR-PROFIT SCHOOLS: THE STUDENT RECRUITMENT EXPERIENCE

WEDNESDAY, AUGUST 4, 2010

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:03 a.m., in Room SD–106, Dirksen Senate Office Building, Hon. Tom Harkin, chairman of the committee, presiding.

Present: Senator Harkin, Mikulski, Casey, Hagan, Merkley, Franken, Bennet, Goodwin, Enzi, Alexander, Burr, and Isakson.

OPENING STATEMENT OF SENATOR HARKIN

The CHAIRMAN. The Senate Committee on Health, Education, Labor, and Pensions will come to order.

This is the second in a series of hearings by this committee focusing on the growing Federal investment in for-profit colleges and universities. This industry has grown at an extraordinary pace. Over the last 10 years, enrollment has increased from 600,000 students to over 2 million students.

Federal financial aid to students at for-profit colleges has ballooned from $4.6 billion a decade ago to more than $23 billion a year, today. The question is: What is driving the explosive growth in this industry?

As you may know, I also chair the Appropriations Subcommittee that funds the Pell grant program. And CBO has given me some figures here that are quite startling. For example, in 2006, our obligation on Pell grants was $12,826,000,000. Last year, it was $26 billion, next year it will go to $30 billion—$30.6 billion that our Appropriations Committee will have to come up with just to fund the Pell grant program.

And so, this explosive growth at a time where we have huge deficits, and we're trying to get our budgets in order, causes us real concern. The question we have to ask with this explosive growth, and with CBO estimates that over the next 10 years we'll spend somewhere close to $300 billion to $350 billion just on Pell grants, we have to ask the question, Are the students—and the U.S. taxpayers—getting a good value for the billions of taxpayers dollars they are investing in these for-profit schools?

In our first hearing, in June, this committee heard testimony from witnesses about the pressures for for-profit companies to relentlessly enroll more students in order to increase profits and, in the case of publicly traded companies, to meet the expectations of investors. The committee issued a report showing that, in order to boost recruitment, many publicly traded for-profit schools spend huge sums of title IV dollars. Title IV dollars, which are taxpayer dollars. They spend a huge amount on TV advertisements, billboards, phone solicitations, and Web marketing, and as we shall see shortly, an aggressive sales staff.

According to the Chairman's report, an analysis of the eight publicly traded schools shows that, on average, they spend 31 percent of revenues on recruiting and marketing. Thirty-one percent.

This spending by for-profit schools sets them radically apart from other colleges. By contrast, community colleges typically spend just 1 or 2 percent on marketing; a tiny fraction of the money spent by publicly traded for-profits.

However numbers only tell a part of the story. Much can be revealed, too, by the experience that students, who are perhaps the first in their family to go to college, have when they sit down to talk to a recruiter or admissions officer. That is why I asked the Government Accountability Office to investigate this key encounter during the recruitment process at for-profit institutions.

GAO's findings make it disturbingly clear that abuses in for-profit recruiting are not limited to a few rogue recruiters or even a few schools with lax oversight. To the contrary, the evidence points to a problem that is systemic to the for-profit industry: a recruitment process specifically designed to do whatever it takes to drive up enrollment numbers, more often than not to the disadvantage of students.

There is a cruel irony, here, that deserves special focus. One ostensibly admirable aspect of for-profit colleges is that they seek out and enroll large numbers of minority and low-income students, offering them opportunities they might not have. In choosing to enroll in a for-profit college, these students typically go deeply into debt. They make other sacrifices, all in search of a better life. They need information that is clear, complete, and honest. Instead, too often, they are victims of deceptive and/or abusive marketing tactics.

In our first hearing, we learned that for-profit schools are enrolling huge numbers of new students, but their total current enrollment numbers show only a small increase, which seems to point to an extremely high dropout rate. For example, one publicly traded school had 84,555 students as of March 31 of this year. They enrolled 21,673 new students between April 1 and June 30, but ended June with 84,695 students, a gain of only 140 students. What happened to the other 21,533? Did they all graduate in 3 months? Or did they drop out?

Reports for the past year show that this school turns over between 22 and 25 percent of their student population every 3 months. Every 3 months.

Why are such large numbers of students turning over, and presumably dropping out? Are they leaving the schools with debt and no degree? How can that be happening in such large numbers? The testimony this morning from Mr. Gregory Kutz of the Government Accountability Office will begin to answer these questions.

Our second panel will allow us to hear directly from a former recruiter for a large for-profit school. He will offer us insight into the training and supervision systems that foster the deceptive and misleading recruiting tactics that are all too common at these schools. We will also hear from an admissions counseling expert, who will contrast the recruiting policies and practices at non-profit and public colleges with those at for-profit schools. Finally, we will hear from the executive director of a national accrediting organization to help the committee better understand the national accreditation process, and the steps that accrediting agencies take to ensure that the for-profit schools they accredit are acting both lawfully and in the best interests of their students.

I want to remind everyone that Congress has just committed to making an increased investment in Pell grants, as I mentioned earlier. We've boosted it up by $36 billion over the next 10 years, which will bring us to a 10-year total of somewhere between $300 billion and $350 billion in the next 10 years, just in the Pell grant program. If current enrollment trends continue, a huge portion of those dollars will flow to students attending for-profit schools. I encourage the committee to keep this in mind as we hear testimony from today's witnesses.

I think we need to keep two questions front and center: Are these schools serving the best interests of their students? Are our new investments—taxpayers' investments—in student financial aid sufficiently safeguarded under current law? These are the fundamental questions that this committee, and the Appropriations Committee that I chair, really need answers to.

With that, I will turn to the committee's Ranking Member and former chair, Senator Enzi, for his opening statement. And then I will introduce our first panel.

STATEMENT OF SENATOR ENZI

Senator ENZI. Thank you, Mr. Chairman.

This morning, we are going to hear the details of aggressive and inappropriate recruiting practices. Among other things we will see examples of schools misrepresenting the quality of education students receive, making unrealistic promises of high-paying jobs, and in some instances encouraging outright fraud. This behavior is unacceptable and should not be defended. Use of pressure tactics, deceitful marketing, and outright lies to mislead students has absolutely no place in education, or for that matter, in any legitimate business. It's truly appalling behavior, and the schools that engage in such activities must be firmly dealt with.

However, I am just as concerned that descriptions of wrong doings such as these will be used to unfairly characterize all for-profit schools as bad actors, and that is simply not the case. As Secretary Duncan has said, "for-profit institutions play a vital role in training young people and adults for jobs." Unfortunately, this series of hearings has only shown the negative, and seems intent on portraying all for-profits as irresponsible and predatory.

My comments should not be interpreted as defending unscrupulous behavior or condoning aggressive recruiting practices. I am also not suggesting that this committee should ignore wrongdoing in the for-profit sector. On the contrary, it is crystal clear that some programs at for-profit schools are misleading students and possibly defrauding taxpayers out of millions of dollars in student aid funds.

However, in focusing only on for-profits, we are not being objective, and we are ignoring the bigger picture of what is happening across all of higher education. Public and nonprofit schools are not immune from inappropriate behavior when it comes to recruiting.

One of the most blatant places, of course, is in athletic programs. A simple news search performed by my staff pulled up nearly 20 individual examples of recruiting violations in college athletic programs. For instance, one public university has been cited for making hundreds of impermissible calls and text messages to prospective student athletes, giving recruits improper benefits and improperly distributing free tickets to high school coaches and others. More recently, a college basketball coach allegedly helped boosters raise money at a high school tournament held in the university's gym; a direct violation of NCAA Rules that prohibit such behavior attended by prospective recruits. Situations like these are unacceptable and are firmly dealt with when uncovered. However, unlike what we are seeing here today, they are not used as evidence of widespread corruption, or used to suggest that all college athletic programs are engaged in unscrupulous behavior.

For-profit schools are a part of a much larger system of higher education that includes for-profits, as well as thousands of traditional institutions of higher education. Many of the issues you raise, Chairman Harkin, particularly those regarding student debt and default, are problems throughout the higher education system, not only at for-profits. Also, the rules that apply to Federal loans, apply to all students, regardless of the type of institution they attend. We should be scrutinizing all sectors of higher education and asking the same questions you are now asking of for-profit institutions.

Again, I don't dispute the need to shine a light on the for-profit sector. For-profits have grown at a tremendous rate and are receiving an increasingly larger percentage of Federal student aid funds. And, as the testimony today will illustrate, there is clearly inappropriate behavior taking place in the recruiting practices of some schools. However, if these hearings are to be meaningful, the for-profit sector must not be examined in a vacuum. It is part of a much broader community of postsecondary schools that includes public, 4- and 2-year schools, as well as private nonprofit schools. And, as Secretary Duncan has explained,

> "They are helping us meet an ever increasing demand for skills that public institutions cannot always meet. They are an essential part in achieving President Obama's goal of being first in the world in college completion by 2020."

Therefore, I encourage you to reassess your approach to these hearings and provide the committee with an examination of for-profit schools in relation to all institutions of higher education. Many, if not most, of the same rules and regulations that we are discussing during these hearings apply to all sectors of higher education. I believe that understanding how each sector of higher education relates to the other is the best way for us to ensure that students are protected and that the taxpayers are getting the best return on their investment. For that reason I will be asking the GAO to expand upon the request you made for data on for-profit colleges to also include a review of all institutions of higher education. I hope that you will join me in that request.

I would also ask permission to have included in the record, an article that was in the *Wall Street Journal* yesterday, "Ignorance By Degrees in Higher Education."

The CHAIRMAN. Without objection.

Senator ENZI. Thank you.

[The information referred to follows:]

[The Wall Street Journal, August 2, 2010]

IGNORANCE BY DEGREES

Colleges serve the people who work there more than the students who desperately need to learn something.

(By Mark Bauerlein)[1]

Higher education may be heading for a reckoning. For a long time, despite the occasional charge of liberal dogma on campus or of a watered-down curriculum, people tended to think the best of the college and university they attended. Perhaps they attributed their career success or that of their friends to a diploma. Or they felt moved by a particular professor or class. Or they received treatment at a university hospital or otherwise profited from university-based scientific research. Or they just loved March Madness.

Recently, though, a new public skepticism has surfaced, with galling facts to back it up. Over the past 30 years, the average cost of college tuition and fees has risen 250% for private schools and nearly 300% for public schools (in constant dollars). The salaries of professors have also risen much faster than those of other occupations. At Stanford, to take but one example, the salaries of full professors have leapt 58% in constant dollars since the mid-1980s. College presidents do even better. From 1992 to 2008, NYU's presidential salary climbed to $1.27 million from $443,000. By 2008, a dozen presidents had passed the million-dollar mark.

Meanwhile, tenured and tenure-track professors spend ever less time with students. In 1975, 43% of college teachers were classified as "contingent"—that is, they were temporary instructors and graduate students; today that rate is 70%. Colleges boast of high faculty-to-student ratios, but in practice most courses have a part-timer at the podium.

Elite colleges justify the light teaching loads of their professors—Yale requires only three courses a year, with a semester off every third year—by claiming that the members of their faculty spend their time producing important research. A glance at scholarly journals or university-press catalogs might make one wonder how much of this "research" is advancing knowledge and how much is part of a guild's need to credentialize its members. In any case, time spent for research is time taken away from students. The remoteness of professors may help explain why about 30% of enrolling students drop out of college only a few months after arriving.

At the same time, the administrator-to-student ratio is growing. In fact, it has doubled since 1976. The administrative field has diversified into exotic specialties such as Credential Specialist, Coordinator of Learning Immersion Experiences and Dietetic Internship Director.

In "Higher Education?" Andrew Hacker and Claudia Dreifus describe such conditions in vivid detail. They offer statistics, anecdotes and first-person accounts—concerning tuition, tenure and teaching loads, among much else—to draw up a powerful, if rambling, indictment of academic careerism. The authors are not shy about making biting judgments along the way.

Of the 3,015 papers delivered at the 2007 meeting of the American Sociological Association, the authors say, few "needed to be written." As for one of the most prestigious universities in the world, "the mediocrity of Harvard undergraduate teaching is an open secret of the Ivy League." Much of the research for scholarly articles and lectures is "just compost to bulk up résumés." College presidents succeed not by showing strong, imaginative leadership but "by extending their school's terrain." Indeed, "hardly any of them have *done* anything memorable, apart perhaps from firing a popular athletic coach." For all the high-minded talk, Mr. Hacker and Ms. Dreifus

[1] *Mr. Bauerlein, the author of "The Dumbest Generation: How the Digital Age Stupefies Young Americans and Jeopardizes Our Future," teaches at Emory University.*

conclude, colleges and universities serve the people who work there more than the parents and taxpayers who pay for "higher education" or the students who so desperately need it.

Take the adjunct issue. Everyone knows that colleges increasingly staff courses with part-time instructors who earn meager pay and no benefits. But who wants to eliminate the practice? Administrators like it because it saves money, professors because it saves them from teaching labor-intensive courses. And adjuncts themselves would rather continue at minimum wage than leave the profession altogether. In a "coda," Mr. Hacker and Ms. Dreifus declare that "it is immoral and unseemly to have a person teaching exactly the same class as an ensconced faculty member, but for one-sixth the pay." Perhaps so, but without a united faction mobilized against it, such "immorality" won't stop anytime soon.

But some change may still be possible. A lot of criticism of academia hasn't stuck in the past, Mr. Hacker and Ms. Dreifus imply, because people have almost unthinkingly believed in the economic power of the degree. Yes, you didn't learn a lot, and the professors blew you off—the reasoning went—but if you got a diploma the job offers would follow. But that logic may no longer be so compelling. With the economy tightening and tales of graduates stuck in low-paying jobs with $50,000 in student loans, college doesn't look like an automatic bargain.

We need some hard cost accounting and comparisons, Mr. Hacker and Ms. Dreifus argue, and so they end "Higher Education?" with capsule summaries of, as they put it, "Schools We Like"—that is, schools that offer superior undergraduate educations at relatively low cost. The list includes Ole Miss, Cooper Union, Berea College, Arizona State and Western Oregon University. "We think a low cost should be a major determinant in any college decision," the authors wisely conclude, for "a debt-free beginning is worth far more than a name-brand imprimatur."

[The prepared statement of Senator Enzi follows:]

Prepared Statement of Senator Enzi

The June 24, 2010 and August 4, 2010 hearings of the Health, Education, Labor, and Pensions Committee focused almost exclusively on title IV funding at for-profit institutions of education. Many of the issues raised during these hearings apply throughout higher education, not just at for-profits. The following tables provide general statistical information regarding tuition, default rates, title IV funding, spending on instruction, and demographics for all sectors of higher education.

As the table below illustrates, spending on instruction ranges from 21 percent to 38 percent for all schools. Spending on instruction at public and non-profit schools is only marginally higher than it is at for-profit schools, 26 percent at public 4-year schools versus 21 percent at for-profit 4-year schools. The data also show public schools receive between 40 percent and 65 percent of their revenue from government sources, while for-profits rely almost exclusively on tuition. Despite this disparity, the data show for-profits spend roughly the same percentage on instruction as public schools.

Sources of Revenue vs. Spending on Instruction by Sector

	Percent of revenue from tuition and fees	Percent of revenue from State and local appropriations, and government grants and contracts	Percent of expenditures on instruction
Public 4-year	16.77	40.82	26
Public 2-year	16.21	64.09	38
Private Non-Profit 4-year	25.96	12.25	33
Private Non-Profit 2-year	51.28	14.71	34
For-Profit 4-year	89.52	4.69	21
For-Profit 2-year	84.53	8.60	31

Source: Digest of Education Statistics.

As shown below, the built-in government subsidies for public 4-year institutions ensure that tuition and fees are significantly lower than those for private non-profits or for-profits. Additionally, the chart shows that the percentage increase in tuition and fees over the past 10 years at for-profits is similar to that for public 4-year institutions.

Average Higher Education Tuition and Fees

Award year	4-YR public	Yr/Yr percent	4-YR private	Yr/Yr percent	4-YR proprietary	Yr/Yr percent
2003–4	$4,542		$15,149		$12,037	
2004–5	4,936	9	16,046	6	13,063	9
2005–6	5,206	5	16,888	5	13,894	6
2006–7	5,496	6	17,943	6	14,261	3
2007–8	5,730	4	19,047	6	14,908	5
2008–9	6,070	6	20,112	6	15,521	4

Award year	2-YR public	Yr/Yr percent	2-YR private	Yr/Yr percent	2-YR proprietary	Yr/Yr percent
2003–4	$2,245		$9,091		$10,971	
2004–5	2,412	7	8,182	-10	11,248	3
2005–6	2,514	4	8,553	5	11,778	5
2006–7	2,645	5	9,063	6	11,961	2
2007–8	2,749	4	9,396	4	12,357	3
2008–9	2,830	3	9,987	6	13,073	6

Source: Congressional Research Service.

As noted in the following chart, students in all sectors of higher education rely heavily on Federal student financial assistance under title IV of the Higher Education Act. However, due to growth in the for-profit sector, and a high proportion of low-income students, for-profit schools have seen a more rapid increase in their receipt of title IV money than traditional higher education, particularly Pell grant funds. Furthermore, high unemployment is reportedly increasing higher education applications and enrollment generally, and therefore, contributes to the increase in Pell-eligible students attending for-profit schools since 2007.

Total Pell Funding

Award year	Public total Pell	Public percent change	Pvt. non-profit total Pell	Pvt. non-profit percent change	For-profit total Pell	For-profit percent change
1999–2000	$4,920,644,931		$1,341,992,126		$945,863,434	
2000–1	5,412,886,963	10	1,459,846,858	9	1,083,570,363	15
2001–2	6,780,486,065	25	1,781,604,565	22	1,413,001,710	30
2002–3	7,883,765,781	16	1,968,766,154	11	1,789,019,783	27
2003–4	8,492,253,472	8	2,121,460,147	8	2,094,183,718	17
2004–5	8,681,903,806	2	2,144,224,722	1	2,323,811,232	11
2005–6	8,283,387,374	-5	2,049,911,431	-4	2,359,829,177	2
2006–7	8,280,454,552	0	2,054,920,997	0	2,481,940,708	5
2007–8	9,306,387,015	12	2,271,591,021	11	3,082,037,558	24
2008–9	11,336,207,797	22	2,638,985,719	16	4,308,185,267	40

Source: Congressional Research Service.

As demonstrated below, individual Pell grant award amounts are roughly the same as those received by students attending traditional institutions of higher education.

Average Pell Grant Award

Award year	Public 2-year-avg. award	Public 2-year percent change	Public 4-year-avg. award	Public 4-year percent change	For-profit avg. award	For-profit percent change
1999–2000	$1,775		$2,036		$1,859	
2000–1	1,883	6	2,195	8	1,946	5
2001–2	2,125	13	2,478	13	2,197	13
2002–3	2,246	6	2,625	6	2,361	7
2003–4	2,272	1	2,662	1	2,389	1
2004–5	2,277	0	2,671	0	2,390	0
2005–6	2,243	-1	2,666	0	2,364	-1
2006–7	2,267	1	2,696	1	2,380	1
2007–8	2,422	7	2,874	7	2,536	7
2008–9	2,705	12	3,253	13	2,866	13

Source: Congressional Research Service.

Finally, data on student loan default rates, as detailed below, show that students at for-profit schools may be more likely to default on their loans.

Cohort Default Rates

Sector	2 Year [In percent]	3 Year [In percent]	4 Year [In percent]
For-Profit	8.6	16.7	23.3
Public	4.7	7.2	9.5
Private non-profit	3.0	4.7	6.5

Source: Congressional Research Service.

A 2009 Government Accountability Office (GAO) report examined this issue and stated that the high default rates at for-profit schools can be linked to the demographic characteristics of their students. "Specifically, students who come from low-income backgrounds and from families who lack higher education are more likely to default on their loans, and data show that students from proprietary schools are more likely to come from low-income families and have parents who do not hold a college degree." GAO–00–600. As the following tables illustrate, for-profit students are poorer, older, and more likely to be a first generation college student than students attending traditional institutions of higher education.

Family Income and Parental Education of Students

Sector	Annual median family income	Parents with associate's degree or higher [In percent]
For-Profit	$24,300	37
Public	40,400	52
Private non-profit	49,200	61

Source: Congressional Research Service.

Age and Dependency of Students

Sector	Students age 25 and older [In percent]	Financial independent students [In percent]
For-Profit	56	76
Public	35	50
Private non-profit	38	39

Source: Congressional Research Service.

Student Ethnicity

	For-Profit [In percent]	Public [In percent]	Private non-profit [In percent]
Am. Indian/AK Native	1	1	1
Asian/Pacific Islander	4	7	6
Hispanic	19	13	11
African-American	26	13	12
White, non-Hispanic	50	66	70

Source: Congressional Research Service.

The CHAIRMAN. Thank you.

Thank you, Senator Enzi.

Now, I'll introduce our first witness. Mr. Gregory Kutz is the Managing Director of GAO's Forensic Audits and Special Investigations Unit. The mission of the FSI is to provide the Congress with high-quality forensic audits and investigations of fraud, waste, and abuse, and evaluations of security vulnerabilities and other requested investigative services.

In 1991, Mr. Kutz joined the Governmental Accountability Office after 8 years at KPMG Peat Marwick. As a senior executive at GAO, Mr. Kutz has testified at congressional hearings over 80 times, primarily on matters related to fraud, waste, and abuse and other special investigations. Mr. Kutz has been responsible for reports issued by GAO, and testimony relating to credit card and travel fraud and abuse, and improper sales of sensitive military and dual-use technology, tax fraud and abuse, wage theft, Hurricanes Katrina and Rita fraud, transit benefit fraud, procurement fraud, pay problems for military members, and seclusion and restraint of disabled children in schools.

I read all of that to make a note of the fact that Mr. Kutz has provided invaluable service along with the GAO to this Congress and to the American people in making sure that our taxpayers' dollars are well-spent, and that we have the information we need to oversee the spending of those tax dollars.

So, Mr. Kutz, welcome to the committee. I will start the clock at 25 minutes. If you need a few more minutes than that, we'll do it, because I know you have a lengthy testimony and you have some video clips to show us. We have a vote at 10:40. We'll try to get through your opening testimony and then we'll take a break, and then we'll come back.

So, Mr. Kutz, your written statement at the GAO will be made a part of the record in its entirety and again, welcome, and please proceed.

STATEMENT OF GREGORY D. KUTZ, MANAGING DIRECTOR, FORENSIC AUDITS AND SPECIAL INVESTIGATIONS, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. KUTZ. Mr. Chairman and members of the committee, thank you for the opportunity to discuss for-profit colleges. Today's testimony will provide you with an inside look at the sales and marketing practices of these colleges.

My testimony has two parts. First, I will discuss what we did, and second, I will discuss the results of our undercover testing.

First, our prospective students applied for admission to for-profit colleges in six States, and here in Washington, DC. We selected these colleges based on a number of factors, including size, location, and the percentage of Federal funding that was received.

Yes?

The CHAIRMAN. I apologize for interrupting, I forgot to ask something I was supposed to.

Mr. Kutz, before you begin, I'd like you to make the identity of the schools you visited public, together with the identity of the schools we will be seeing in the video clips. If you would like to provide a list of the schools, we would appreciate that, and then each member can have that.

Mr. KUTZ. Certainly, I'll list them off. In our testimony, they're numbered as Nos. 1 through 15, and so I'll just go through them. They're actually 12 unique colleges, we went to three of them once.

Case No. 1 one is University of Phoenix in Arizona, case No. 2 is Everest College in Arizona, No. 3 is Westech College in California, No. 4 is Kaplan College in California, No. 5 is Potomac College in Washington, DC, No. 6, No. 7 is Medvance Institute in Florida, No. 8 is Kaplan College, again, this time in Florida, No. 9 is College of Office Tech in Illinois, No. 10 is Argosy University in Illinois, No. 11 is the University of Phoenix, again, this time in Pennsylvania, No. 12 is Anthem Institute in Pennsylvania, No. 13 is Westwood College in Texas, No. 14 is, again, Everest College, this time in Texas, and No. 15 is ATI Career Training in Texas.

The CHAIRMAN. Thank you, Mr. Kutz.

Mr. KUTZ. What we did, was we used bogus identities and documents and spoke to representatives at these 15 colleges that I just mentioned, which is, again, 12 colleges, and 3 of them were repeats. For the first scenario, our student had income that was low enough to qualify for Federal grants and subsidized loans. For our second scenario, our student had higher income, and $250,000 in savings in what we described as a recent inheritance.

We also enrolled our perspective students in two Web sites, and four students were enrolled in these, and I will refer to these throughout my testimony as marketing lead generators. We did this to determine the type and frequency of marketing calls that we would receive from these Web sites.

Now that I've set up what we did, let me move onto my second point, the results of our undercover testing. Specifically, we found that four colleges encouraged our students to commit fraud.

What I'm going to do is walk you through our key findings, and use the video clips to bring each of these points to life.

Although, as I mentioned, all 15 provided deceptive and questionable information, as Senator Enzi mentioned, they were not all bad, and some provided some good practices. So, I'm going to start with that.

For example, several applicants were told that the transfer of their credits depended upon the college that they were transferring to. Several applicants were told to research credible, independent evidence of expected salaries, and one representative that you'll see told our applicant to be cautious about taking out too much debt. These videos I'm going to show now will show some good practices.

[VIDEO]

Unfortunately, these good practices were harder to identify than the bad ones. Let me start by speaking about my favorite topic, as you mentioned in your opening of me, I speak about fraud a lot.

Representatives from four schools encouraged our applicants to falsify their Federal financial aid forms, or what you all have heard before is the FAFSA form, FAFSA. Examples included, telling our students not to report $250,000 in savings. One representative told us that this $250,000 wasn't any of the government's business. Another one told us to delete the $250,000 from our Federal aid form.

Other students were told to add bogus dependents to their Federal aid form. One representative held up three fingers, and told us specifically to add three bogus dependents to our Federal aid form. By falsifying our applications, our fictitious students would have qualified for Federal grants and subsidized loans that they were not entitled to. In other words, although we had enough money to pay for this, they told us to commit fraud, so that Federal taxpayers would pick up the tab. The following videos show you two of these fraud cases.

[VIDEO]

Representatives from 13 colleges gave our applicants deceptive or questionable information about graduation rates, guaranteed jobs, or they exaggerated future earnings. Examples include one representative that said that people coming out of their barber program—barber shop program—can earn $150,000 to $250,000. According to the Bureau of Labor Statistics, 90 percent of the barbers in this area which, by the way, is here in Washington, DC, make less than $19,000 a year.

Another representative did not offer a job guarantee but said that 90 percent of the students get jobs. Here are some videos that show these types of issues.

[VIDEO]

As you know, Federal loan default rates at these for-profit colleges are high. At eight of these colleges, at least 80 percent of the students have Federal loans. Examples of bad advice we received include one individual telling us that they had $85,000 of student loans that they probably would not repay. Another representative told us that, unlike car loans, nobody will come after you if you fail to pay your student loans.

Also, you know, taxpayers pick up the tab for all of these defaulted Federal loans, and students do face consequences when they default on a loan. Here are some videos showing these points.

[VIDEO]

Let's move on to cost. Our analysis found that for-profit colleges, for certificates and degrees, generally substantially cost higher than public and private nonprofits. The primary exception to this was for Bachelor's Programs, where private, nonprofits are often more expensive.

Examples of deceptive information on cost include one representative saying that their $15,000 computer drafting program was a great value. The same certificate at a local community college was $520. And another representative in Texas said that their Bachelor's program cost $50,000 to $75,000 a year, which is far less than traditional programs. That same program at the University of Texas at Austin was $36,000.

Here are a few video clips.

[VIDEO]

The two Web sites I mentioned we registered with appear to be lead generators for numerous for-profit colleges. Two fictitious individuals expressed interest in a culinary arts certificate at Web sites A and B. We had two others express interest in business degrees at these same Web sites. Within 5 minutes, our phone began to ring. The two individuals interested in business degrees received about 180 calls, each, in 1 month. The culinary arts students received far less interest, with one only receiving a few calls, and the other still receiving 72. In total, our four fictitious prospective students received 436 calls in 1 month. All but six of these calls were from for-profit colleges. The following video will give you a perspective of what your voice mail would sound like if you registered with one of these lead generators.

[VIDEO]

As you can tell, our cover is blown, that was Amy Meyers, actually.

So, we also identified a number of high-pressure sales and marketing practices. Examples include, at six colleges applicants were told that they could not speak to someone from financial aid until they paid an application fee and signed enrollment forms.

At one college, our applicant was scolded and ridiculed for refusing to enroll before speaking to financial aid. And at another college, our applicant was told to sign enrollment forms, but was assured that it was not a legally binding document. These colleges do not appear to have any enrollment standards, and cost appears to be irrelevant because the Federal Government is paying for the vast majority of this. So, the aggressive marketing of anybody walking in the door should not be a surprise here to anybody.

Here are two examples of these aggressive marketing practices.

[VIDEO]

In conclusion, it wasn't hard to find deceptive and fraudulent marketing practices. These practices are not unique to this industry. We've reported on fraudulent and deceptive practices in several other industries, recently.

However, the big difference, here, is the vast majority of money that is funding these activities is coming from American taxpayers.

Mr. Chairman, you've been very generous with my time, and I appreciate that, but I want to finish the story of that last student. When you left off a minute ago, the sales representative was pressuring them to enroll without speaking to financial aid. They then said they were going to go get someone from financial aid. As you'll see on this final video, when they came back, they actually passed the person on to the admissions director. Here is the unhappy ending to this story.

[VIDEO]

Mr. Chairman, that ends my statement. I look forward to all of your questions.

[The prepared statement of Mr. Kutz follows:]

PREPARED STATEMENT OF GREGORY D. KUTZ

HIGHLIGHTS

WHY GAO DID THIS STUDY

Enrollment in for-profit colleges has grown from about 365,000 students to almost 1.8 million in the last several years. These colleges offer degrees and certifications in programs ranging from business administration to cosmetology. In 2009, students at for-profit colleges received more than $4 billion in Pell grants and more than $20 billion in Federal loans provided by the Department of Education (Education). GAO was asked to (1) conduct undercover testing to determine if for-profit colleges' representatives engaged in fraudulent, deceptive, or otherwise questionable marketing practices, and (2) compare the tuitions of the for-profit colleges tested with those of other colleges in the same geographic region.

To conduct this investigation, GAO investigators posing as prospective students applied for admissions at 15 for-profit colleges in 6 States and Washington, DC. The colleges were selected based on several factors, including those that the Department of Education reported received 89 percent or more of their revenue from Federal student aid. GAO also entered information on four fictitious prospective students into education search Web sites to determine what type of follow-up contact resulted from an inquiry. GAO compared tuition for the 15 for-profit colleges tested with tuition for the same programs at other colleges located in the same geographic areas. Results of the undercover tests and tuition comparisons cannot be projected to all for-profit colleges.

FOR-PROFIT COLLEGES—UNDERCOVER TESTING FINDS COLLEGES ENCOURAGED FRAUD AND ENGAGED IN DECEPTIVE AND QUESTIONABLE MARKETING PRACTICES

WHAT GAO FOUND

Undercover tests at 15 for-profit colleges found that four colleges encouraged fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants. Four undercover applicants were encouraged by college personnel to falsify their financial aid forms to qualify for Federal aid—for example, one admissions representative told an applicant to fraudulently remove $250,000 in savings. Other college representatives exaggerated undercover applicants' potential salary after graduation and failed to provide clear information about the college's program duration, costs, or graduation rate despite Federal regulations requiring them to do so. For example, staff commonly told GAO's applicants they would attend classes for 12 months a year, but stated the annual cost of attendance for 9 months of classes, misleading applicants about the total cost of tuition. Admissions staff used other deceptive practices, such as pressuring applicants to sign a contract for enrollment before allowing them to speak to a financial advisor about program cost and financing options. However, in some instances, undercover applicants were provided accurate and helpful information by college personnel, such as not to borrow more money than necessary.

Fraudulent, Deceptive, and Otherwise Questionable Practices

Degree/certificate, location	Sales and marketing practice
Certificate Program—California	Undercover applicant was encouraged by a college representative to change Federal aid forms to falsely increase the number of dependents in the household in order to qualify for grants.
Associate's Degree—Florida	Undercover applicant was falsely told that the college was accredited by the same organization that accredits Harvard and the University of Florida.

Fraudulent, Deceptive, and Otherwise Questionable Practices—Continued

Degree/certificate, location	Sales and marketing practice
Certificate Program—Washington, DC	Admissions representative said that barbers can earn up to $150,000 to $250,000 a year, an exceptional figure for the industry. The Bureau of Labor Statistics reports that 90 percent of barbers make less than $43,000 a year.
Certificate Program—Florida	Admission representative told an undercover applicant that student loans were not like a car payment and that no one would "come after" the applicant if she did not pay back her loans.

Source: GAO.

In addition, GAO's four fictitious prospective students received numerous, repetitive calls from for-profit colleges attempting to recruit the students when they registered with Web sites designed to link for-profit colleges with prospective students. Once registered, GAO's prospective students began receiving calls within 5 minutes. One fictitious prospective student received more than 180 phone calls in a month. Calls were received at all hours of the day, as late as 11 p.m. To see video clips of undercover applications and to hear voice mail messages from for-profit college recruiters, see *http://www.gao.gov/products/GAO-10-948T*.

Programs at the for-profit colleges GAO tested cost substantially more for associate's degrees and certificates than comparable degrees and certificates at public colleges nearby. A student interested in a massage therapy certificate costing $14,000 at a for-profit college was told that the program was a good value. However the same certificate from a local community college cost $520. Costs at private nonprofit colleges were more comparable when similar degrees were offered.

Mr. Chairman and members of the committee, thank you for the opportunity to discuss our investigation into fraudulent, deceptive, or otherwise questionable sales and marketing practices in the for-profit college industry.[1] Across the Nation, about 2,000 for-profit colleges eligible to receive Federal student aid offer certifications and degrees in subjects such as business administration, medical billing, psychology, and cosmetology. Enrollment in such colleges has grown far faster than traditional higher-education institutions. The for-profit colleges range from small, privately owned colleges to colleges owned and operated by publicly traded corporations. Fourteen such corporations, worth more than $26 billion as of July 2010,[2] have a total enrollment of 1.4 million students. With 443,000 students, one for-profit college is one of the largest higher-education systems in the country—enrolling only 20,000 students fewer than the State University of New York.

The Department of Education's Office of Federal Student Aid manages and administers billions of dollars in student financial assistance programs under Title IV of the Higher Education Act of 1965, as amended. These programs include, among others, the William D. Ford Federal Direct Loan Program (Direct Loans), the Federal Pell grant program, and campus-based aid programs.[3] Grants do not have to be repaid by students, while loans must be repaid whether or not a student completes a degree program. Students may be eligible for "subsidized" loans or "unsubsidized" loans. For unsubsidized loans, interest begins to accrue on the loan as soon as the loan is taken out by the student (i.e. while attending classes).

For subsidized loans, interest does not accrue while a student is in college. Colleges received $105 billion in title IV funding for the 2008–9 school year—of which

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[1] For-profit colleges are institutions of post-secondary education that are privately-owned or owned by a publicly traded company and whose net earnings can benefit a shareholder or individual. In this report, we use the term "college" to refer to all of those institutions of post-secondary education that are eligible for funds under Title IV of the Higher Education Act of 1965, as amended. This term thus includes public and private nonprofit institutions, proprietary or for-profit institutions, and post-secondary vocational institutions.

[2] $26 billion is the aggregate market capitalization of the 14 publicly traded corporations on July 14, 2010. In addition, there is a 15th company that operates for-profit colleges; however, the parent company is involved in other industries; therefore, we are unable to separate its market capitalization for only the for-profit college line of business, and its value is not included in this calculation.

[3] The Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan programs are called campus-based programs and are administered directly by the financial aid office at each participating college. As of July 1, 2010 new Federal student loans that are not part of the campus-based programs will come directly from the Department of Education under the Direct Loan program.

approximately 23 percent or $24 billion went to for-profit colleges. Because of the billions of dollars in Federal grants and loans utilized by students attending for-profit colleges, you asked us to (1) conduct undercover testing to determine if for-profit college representatives engaged in fraudulent, deceptive, or otherwise questionable marketing practices, and (2) compare the cost of attending for-profit colleges tested with the cost of attending nonprofit colleges in the same geographic region.

To determine whether for-profit college representatives engaged in fraudulent, deceptive, or otherwise questionable sales and marketing practices, we investigated a nonrepresentative selection of 15 for-profit colleges located in Arizona, California, Florida, Illinois, Pennsylvania, Texas, and Washington, DC. We chose colleges based on several factors in order to test for-profit colleges offering a variety of educational services with varying corporate sizes and structures located across the country. Factors included whether a college received 89 percent or more of total revenue from Federal student aid according to Department of Education (Education) data or was located in a State that was among the top 10 recipients of title IV funding. We also chose a mix of privately held or publicly traded for-profit colleges. We reviewed Federal Trade Commission (FTC) statutes and regulations regarding unfair and deceptive marketing practices and Education statutes and regulations regarding what information postsecondary colleges are required to provide to students upon request and what constitutes substantial misrepresentation of services. During our undercover tests we attempted to identify whether colleges met these regulatory requirements, but we were not able to test all regulatory requirements in all tests.

Using fictitious identities, we posed as potential students to meet with the colleges' admissions and financial aid representatives and inquire about certificate programs, associate's degrees, and bachelor's degrees.[4] We inquired about one degree type and one major—such as cosmetology, massage therapy, construction management, or elementary education—at each college. We tested each college twice—once posing as a prospective student with an income low enough to qualify for Federal grants and subsidized student loans, and once as a prospective student with higher income and assets to qualify the student only for certain unsubsidized loans.[5] Our undercover applicants were ineligible for other types of Federal postsecondary education assistance programs such as benefits available under the Post-9/11 Veterans Educational Assistance Act of 2008 (commonly referred to as "the Post-9/11 G.I. Bill"). We used fabricated documentation, such as tax returns, created with publicly available hardware, software and materials, and the Free Application for Federal Student Aid (FAFSA)—the form used by virtually all 2- and 4-year colleges, universities, and career colleges for awarding Federal student aid—during our in-person meetings. In addition, using additional bogus identities, investigators posing as four prospective students filled out forms on two Web sites that ask questions about students' academic interests, match them to colleges with relevant programs, and provide the students' information to colleges or the colleges' outsourced calling center for follow-up about enrollment. Two students expressed interest in a culinary arts degree, and two other students expressed interest in a business administration degree. We filled out information on two Web sites with these fictitious prospective students' contact information and educational interests in order to document the type and frequency of contact the fictitious prospective students would receive. We then monitored the phone calls and voice mails received.

To compare the cost of attending for-profit colleges with that of nonprofit colleges, we used Education information to select public and private nonprofit colleges located in the same geographic areas as the 15 for-profit colleges we visited. We compared tuition rates for the same type of degree or certificate between the for-profit and nonprofit colleges. For the 15 for-profit colleges we visited, we used information obtained from campus representatives to determine tuition at these programs. For the nonprofit colleges, we obtained information from their Web sites or, when not available publicly, from campus representatives. Not all nonprofit colleges offered similar degrees, specifically when comparing associate's degrees and certificate programs. We cannot project the results of our undercover tests or cost comparisons to other for-profit colleges.

We plan to refer cases of school officials encouraging fraud and engaging in deceptive practices to Education's Office of Inspector General, where appropriate. Our in-

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[4] A certificate program allows a student to earn a college level credential in a particular field without earning a degree.

[5] Regardless of income and assets, all eligible students attending a title IV college are eligible to receive unsubsidized Federal loans. The maximum amount of the unsubsidized loan ranges from $2,000 to $12,000 per year, depending on the student's grade level and on whether the student is considered "dependent" or "independent" from his or her parents or guardians.

vestigative work, conducted from May 2010 through July 2010, was performed in accordance with standards prescribed by the Council of the Inspectors General on Integrity and Efficiency.

BACKGROUND

In recent years, the scale and scope of for-profit colleges have changed considerably. Traditionally focused on certificate and programs ranging from cosmetology to medical assistance and business administration, for-profit institutions have expanded their offerings to include bachelor's, master's, and doctoral level programs. Both the certificate and degree programs provide students with training for careers in a variety of fields. Proponents of for-profit colleges argue that they offer certain flexibilities that traditional universities cannot, such as, online courses, flexible meeting times, and year-round courses. Moreover, for-profit colleges often have open admissions policies to accept any student who applies.

Currently, according to Education about 2,000 for-profit colleges participate in title IV programs and in the 2008–9 school year, for-profit colleges received approximately $24 billion in title IV funds. Students can only receive title IV funds when they attend colleges approved by Education to participate in the title IV program.

Title IV Program Eligibility Criteria

The Higher Education Act of 1965, as amended, provides that a variety of institutions of higher education are eligible to participate in title IV programs, including:

- Public institutions—Institutions operated and funded by State or local governments, which include State universities and community colleges.
- Private nonprofit institutions—Institutions owned and operated by nonprofit organizations whose net earnings do not benefit any shareholder or individual. These institutions are eligible for tax-deductible contributions in accordance with the Internal Revenue code (26 U.S.C. § 501(c)(3)).
- For-profit institutions—Institutions that are privately owned or owned by a publicly traded company and whose net earnings can benefit a shareholder or individual.

Colleges must meet certain requirements to receive title IV funds. While full requirements differ depending on the type of college, most colleges are required to: be authorized or licensed by the State in which it is located to provide higher education; provide at least one eligible program that provides an associate's degree or higher, or provides training to students for employment in a recognized occupation; and be accredited by an accrediting agency recognized by the Secretary of Education. Moreover, for-profit colleges must enter a "program participation agreement" with Education that requires the school to derive not less than 10 percent of revenues from sources other than title IV funds and certain other Federal programs (known as the "90/10 Rule"). Student eligibility for grants and subsidized student loans is based on student financial need. In addition, in order for a student to be eligible for title IV funds, the college must ensure that the student meets the following requirements, among others: has a high school diploma, a General Education Development certification, or passes an ability-to-benefit test approved by Education, or completes a secondary school education in a home school setting recognized as such under State law; is working toward a degree or certificate in an eligible program; and is maintaining satisfactory academic progress once in college.[6]

Defaults on Student Loans

In August 2009, GAO reported that in the repayment period, students who attended for-profit colleges were more likely to default on Federal student loans than were students from other colleges.[7] When students do not make payments on their Federal loans and the loans are in default, the Federal Government and taxpayers assume nearly all the risk and are left with the costs. For example, in the Direct Loan program, the Federal Government and taxpayers pick up 100 percent of the unpaid principal on defaulted loans. In addition, students who default are also at risk of facing a number of personal and financial burdens. For example, defaulted loans will appear on the student's credit record, which may make it more difficult to obtain an auto loan, mortgage, or credit card. Students will also be ineligible for assistance under most Federal loan programs and may not receive any additional title IV Federal student aid until the loan is repaid in full. Furthermore, Education

[6] GAO previously investigated certain schools' use of ability-to-benefit tests. For more information, see GAO, *PROPRIETARY SCHOOLS: Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid,* GAO–09–600 (Washington, DC: August 17, 2009).

[7] GAO–09–600.

can refer defaulted student loan debts to the Department of Treasury to offset any Federal or State income tax refunds due to the borrower to repay the defaulted loan. In addition, Education may require employers who employ individuals who have defaulted on a student loan to deduct 15 percent of the borrower's disposable pay toward repayment of the debt. Garnishment may continue until the entire balance of the outstanding loan is paid.

College Disclosure Requirements

In order to be an educational institution that is eligible to receive title IV funds, Education statutes and regulations require that each institution make certain information readily available upon request to enrolled and prospective students.[8] Institutions may satisfy their disclosure requirements by posting the information on their Internet Web sites. Information to be provided includes: tuition, fees, and other estimated costs; the institution's refund policy; the requirements and procedures for withdrawing from the institution; a summary of the requirements for the return of title IV grant or loan assistance funds; the institution's accreditation information; and the institution's completion or graduation rate. If a college substantially misrepresents information to students, a fine of no more than $25,000 may be imposed for each violation or misrepresentation and their title IV eligibility status may be suspended or terminated.[9] In addition, the FTC prohibits "unfair methods of competition" and "unfair or deceptive acts or practices" that affect interstate commerce.

FOR-PROFIT COLLEGES ENCOURAGED FRAUD AND ENGAGED IN DECEPTIVE AND OTHERWISE QUESTIONABLE SALES AND MARKETING PRACTICES

Our covert testing at 15 for-profit colleges found that four colleges encouraged fraudulent practices, such as encouraging students to submit false information about their financial status. In addition all 15 colleges made some type of deceptive or otherwise questionable statement to undercover applicants, such as misrepresenting the applicant's likely salary after graduation and not providing clear information about the college's graduation rate. Other times our undercover applicants were provided accurate or helpful information by campus admissions and financial aid representatives. Selected video clips of our undercover tests can be seen at *http://www.gao.gov/products/GAO–10–948T*.

Fraudulent Practices Encouraged by For-Profit Colleges

In order to qualify for financial aid, 4 of the 15 colleges we visited encouraged our undercover applicants to falsify their FAFSA. A financial aid officer at a privately owned college in Texas told our undercover applicant not to report $250,000 in savings, stating that it was not the government's business how much money the undercover applicant had in a bank account. However, Education requires students to report such assets, which along with income, are used to determine how much and what type of financial aid for which a student is eligible. The admissions representative at this same school encouraged the undercover applicant to change the FAFSA to falsely add dependents in order to qualify for grants. The admissions representative attempted to ease the undercover applicant's concerns about committing fraud by stating that information about the reported dependents, such as Social Security numbers, was not required. An admissions representative at another college told our undercover applicant that changing the FAFSA to indicate that he supported three dependents instead of being a single-person household might drop his income enough to qualify for a Pell grant. In all four situations when college representatives encouraged our undercover applicants to commit fraud, the applicants indicated on their FAFSA, as well as to the for-profit college staff, that they had just come into an inheritance worth approximately $250,000. This inheritance was sufficient to pay for the entire cost of the undercover applicant's tuition. However, in all four cases, campus representatives encouraged the undercover applicants to take out loans and assisted them in becoming eligible either for grants or subsidized loans. It was unclear what incentive these colleges had to encourage our undercover applicants to fraudulently fill out financial aid forms given the applicants' ability to pay for college. The following table provides more details on the four colleges involved in encouraging fraudulent activity.

[8] 20 U.S.C. § 1092 and 34 CFR §§ 668.41–.49.

[9] 20 U.S.C. § 1094 (c) (3) and 34 CFR §§ 668.71–.75. Additionally, Education has recently proposed new regulations that would enhance its oversight of title IV eligible institutions, including provisions related to misrepresentation and aggressive recruiting practices. See 75 Fed. Reg. 34,806 (June 18, 2010).

Table 1.—Fraudulent Actions Encouraged by For-Profit Colleges

Location	Certification sought and course of study	Type of college	Fraudulent behavior encouraged
CA	Certificate—Computer Aided Drafting.	Less than 2-year, privately owned.	• Undercover applicant was encouraged by a financial aid representative to change the FAFSA to falsely increase the number of dependents in the household in order to qualify for Pell grants. • The undercover applicant suggested to the representative that by the time the college would be required by Education to verify any information about the applicant, the applicant would have already graduated from the 7-month program. The representative acknowledged this was true. • This undercover applicant indicated to the financial aid representative that he had $250,000 in the bank, and was therefore capable of paying the program's $15,000 cost. The fraud would have made the applicant eligible for grants and subsidized loans.
FL	Associate's Degree—Radiologic Technology.	12-year, privately owned	• Admissions representative suggested to the undercover applicant that he not report $250,000 in savings reported on the FAFSA. The representative told the applicant to come back once the fraudulent financial information changes had been processed. • This change would not have made the applicant eligible for grants because his income would have been too high, but it would have made him eligible for loans subsidized by the government. However, this undercover applicant indicated that he had $250,000 in savings—more than enough to pay for the program's $39,000 costs.

Table 1.—Fraudulent Actions Encouraged by For-Profit Colleges—Continued

Location	Certification sought and course of study	Type of college	Fraudulent behavior encouraged
PA	Certificate—Web Page Design	Less than 2-year, privately owned.	• Financial aid representative told the undercover applicant that he should have answered "zero" when asked about money he had in savings—the applicant had reported a $250,000 inheritance. • The financial aid representative told the undercover applicant that she would "correct" his FAFSA form by reducing the reported assets to zero. She later confirmed by email and voicemail that she had made the change. • This change would not have made the applicant eligible for grants, but it would have made him eligible for loans subsidized by the government. However, this applicant indicated that he had about $250,000 in savings—more than enough to pay for the program's $21,000 costs.
TX	Bachelor's Degree—Construction Management.	4-year, privately owned	• Admissions representative encouraged applicant to change the FAFSA to falsely add dependents in order to qualify for Pell grants. • Admissions representative assured the undercover applicant that he did not have to identify anything about the dependents, such as their Social Security numbers, nor did he have to prove to the college with a tax return that he had previously claimed them as dependents. • Financial aid representative told the undercover applicant that he should not report the $250,000 in cash he had in savings. • This applicant indicated to the financial aid representative that he had $250,000 in the bank, and was therefore capable of paying the program's $68,000 cost. The fraud would have made the undercover applicant eligible for more than $2,000 in grants per year.

DECEPTIVE OR QUESTIONABLE STATEMENTS

Admissions or financial aid representatives at all 15 for-profit colleges provided our undercover applicants with deceptive or otherwise questionable statements. These deceptive and questionable statements included information about the college's accreditation, graduation rates and its student's prospective employment and salary qualifications, duration and cost of the program, or financial aid. Representatives at schools also employed hard-sell sales and marketing techniques to encourage students to enroll.

Accreditation Information

Admissions representatives at four colleges either misidentified or failed to identify their colleges' accrediting organizations. While all the for-profit colleges we visited were accredited according to information available from Education, Federal regulations state that institutions may not provide students with false, erroneous, or misleading statements concerning the particular type, specific source, or the nature and extent of its accreditation. Examples include:

- A representative at a college in Florida owned by a publicly traded company told an undercover applicant that the college was accredited by the same organization that accredits Harvard and the University of Florida when in fact it was not. The representative told the undercover applicant: "It's the top accrediting agency—Harvard, University of Florida—they all use that accrediting agency. . . . All schools are the same; you never read the papers from the schools."
- A representative of a small beauty college in Washington, DC told an undercover applicant that the college was accredited by "an agency affiliated with the government," but did not specifically name the accrediting body. Federal and State Government agencies do not accredit educational institutions.
- A representative of a college in California owned by a private corporation told an undercover applicant that this college was the only one to receive its accrediting organization's "School of Excellence" award. The accrediting organization's Web site listed 35 colleges as having received that award.

Graduation Rate, Employment and Expected Salaries

Representatives from 13 colleges gave our applicants deceptive or otherwise questionable information about graduation rates, guaranteed applicants jobs upon graduation, or exaggerated likely earnings. Federal statutes and regulations require that colleges disclose the graduation rate to applicants upon request, although this requirement can be satisfied by posting the information on their Web site. Thirteen colleges did not provide applicants with accurate or complete information about graduation rates. Of these 13, 4 provided graduation rate information in some form on their Web site, although it required a considerable amount of searching to locate the information. Nine schools did not provide graduation rates either during our in-person visit or on their Web sites. For example, when asked for the graduation rate, a representative at a college in Arizona owned by a publicly traded company said that last year 90 students graduated, but did not disclose the actual graduation rate. When our undercover applicant asked about graduation rates at a college in Pennsylvania owned by a publicly traded company, he was told that if all work was completed, then the applicant should successfully complete the program—again the representative failed to disclose the college's graduation rate when asked. However, because graduation rate information was available at both these colleges' Web sites, the colleges were in compliance with Education regulations.

In addition, according to Federal regulations, a college may not misrepresent the employability of its graduates, including the college's ability to secure its graduates employment. However, representatives at two colleges told our undercover applicants that they were guaranteed or virtually guaranteed employment upon completion of the program. At five colleges, our undercover applicants were given potentially deceptive information about prospective salaries. Examples of deceptive or otherwise questionable information told to our undercover applicants included:

- A college owned by a publicly traded company told our applicant that, after completing an associate's degree in criminal justice, he could try to go work for the Federal Bureau of Investigation or the Central Intelligence Agency. While other careers within those agencies may be possible, positions as a FBI Special Agent or CIA Clandestine Officer, require a bachelor's degree at a minimum.
- A small beauty college told our applicant that barbers can earn $150,000 to $250,000 a year. While this may be true in exceptional circumstances, the Bureau of Labor Statistics (BLS) reports that 90 percent of barbers make less than $43,000 a year.
- A college owned by a publicly traded company told our applicant that instead of obtaining a criminal justice associate's degree, she should consider a medical assisting certificate and that after only 9 months of college, she could earn up to $68,000 a year. A salary this high would be extremely unusual; 90 percent of all people working in this field make less than $40,000 a year, according to the BLS.

Program Duration and Cost

Representatives from nine colleges gave our undercover applicants deceptive or otherwise questionable information about the duration or cost of their colleges' programs. According to Federal regulations, a college may not substantially misrepresent the total cost of an academic program. Representatives at these colleges used two different methods to calculate program duration and cost of attendance. Colleges described the duration of the program as if students would attend classes for 12 months per year, but reported the annual cost of attendance for only 9 months of classes per year. This disguises the program's total cost. Examples include:

• A representative at one college said it would take 3.5–4 years to obtain a bachelor's degree by taking classes year round, but quoted the applicant an annual cost for attending classes for 9 months of the year. She did not explain that attending classes for only 9 months out of the year would require an additional year to complete the program. If the applicant did complete the degree in 4 years, the annual cost would be higher than quoted to reflect the extra class time required per year.

• At another college, the representative quoted our undercover applicant an annual cost of around $12,000 per year and said it would take 2 years to graduate without breaks, but when asked about the total cost, the representative told our undercover applicant it would cost $30,000 to complete the program—equivalent to more than 2½ years of the previously quoted amount. If the undercover applicant had not inquired about the total cost of the program, she would have been led to believe that the total cost to obtain the associate's degree would have been $24,000.

Financial Aid

Eleven colleges denied undercover applicants access to their financial aid eligibility or provided questionable financial advice. According to Federal statutes and regulations, colleges must make information on financial assistance programs available to all current and prospective students.

• Six colleges in four States told our undercover applicants that they could not speak with financial aid representatives or find out what grants and loans they were eligible to receive until they completed the college's enrollment forms agreeing to become a student and paid a small application fee to enroll.

• A representative at one college in Florida owned by a publicly traded company advised our undercover applicant not to concern himself with loan repayment because his future salary—he was assured—would be sufficient to repay loans.

• A representative at one college in Florida owned by a private company told our undercover applicant that student loans were not like car loans because "no one will come after you if you don't pay." In reality, students who cannot pay their loans face fees, may damage their credit, have difficulty taking out future loans, and in most cases, bankruptcy law prohibits a student borrower from discharging a student loan.

• A representative at a college owned by a publicly traded corporation told our undercover applicant that she could take out the maximum amount of Federal loans, even if she did not need all the money. She told the applicant she could put the extra money in a high-interest savings account. While subsidized loans do not accrue interest while a student is in college, unsubsidized loans do accrue interest. The representative did not disclose this distinction to the applicant when explaining that she could put the money in a savings account.

Other Sales and Marketing Tactics

Six colleges engaged in other questionable sales and marketing tactics such as employing hard-sell sales and marketing techniques and requiring enrolled students to pay monthly installments to the college during their education.

• At one Florida college owned by a publicly traded company, a representative told our undercover applicant she needed to answer 18 questions correctly on a 50 question test to be accepted to the college. The test proctor sat with her in the room and coached her during the test.

• At two other colleges, our undercover applicants were allowed 20 minutes to complete a 12-minute test or took the test twice to get a higher score.

• At the same Florida college, multiple representatives used high pressure marketing techniques, becoming argumentative, and scolding our undercover applicants for refusing to enroll before speaking with financial aid.

• A representative at this Florida college encouraged our undercover applicant to sign an enrollment agreement while assuring her that the contract was not legally binding.

• A representative at another college in Florida owned by a publicly traded company said that he personally had taken out over $85,000 in loans to pay for his degree, but he told our undercover applicant that he probably would not pay it back because he had a "tomorrow's never promised" philosophy.

• Three colleges required undercover applicants to make $20–$150 monthly payments once enrolled, despite the fact that students are typically not required to repay loans until after the student finishes or drops out of the program. These colleges gave different reasons for why students were required to make these payments and were sometimes unclear exactly what these payments were for. At one college, the applicant would have been eligible for enough grants and loans to cover the annual cost of tuition, but was told that she needed to make progress payments toward the cost of the degree separate from the money she would receive from loans and grants. A representative from this college told the undercover applicant that the Federal Government's "90/10 Rule" required the applicant to make these payments. However, the "90/10 Rule" does not place any requirements on students, only on the college.

- At two colleges, our undercover applicants were told that if they recruited other students, they could earn rewards, such as an MP3 player or a gift card to a local store.[10]

Accurate and Helpful Information Provided

In some instances our undercover applicants were provided accurate or helpful information by campus admissions and financial aid representatives. In line with Federal regulations, undercover applicants at several colleges were provided accurate information about the transferability of credits to other postsecondary institutions, for example:

- A representative at a college owned by a publicly traded company in Pennsylvania told our applicant that with regard to the transfer of credits, "different schools treat it differently; you have to roll the dice and hope it transfers."
- A representative at a privately owned for-profit college in Washington, DC told our undercover applicant that the transfer of credits depends on the college the applicant wanted to transfer to.

Some financial aid counselors cautioned undercover applicants not to take out more loans than necessary or provided accurate information about what the applicant was required to report on his FAFSA, for example:

- One financial aid counselor at a privately owned college in Washington, DC told an applicant that because the money had to be paid back, the applicant should be cautious about taking out more debt than necessary.
- A financial aid counselor at a college in Arizona owned by a publicly traded company had the undercover applicant call the FAFSA help line to have him ask whether he was required to report his $250,000 inheritance. When the FAFSA help line representative told the undercover applicant that it had to be reported, the college financial aid representative did not encourage the applicant not to report the money.

In addition, some admissions or career placement staff gave undercover applicants reasonable information about prospective salaries and potential for employment, for example:

- Several undercover applicants were provided salary information obtained from the BLS or were encouraged to research salaries in their prospective fields using the BLS Web site.
- A career services representative at a privately owned for-profit college in Pennsylvania told an applicant that as an entry level graphic designer, he could expect to earn $10–$15 per hour. According to the BLS only 25 percent of graphic designers earn less than $15 per hour in Pennsylvania.

Web Site Inquiries Result in Hundreds of Calls

Some Web sites that claim to match students with colleges are in reality lead generators used by many for-profit colleges to market to prospective students. Though such Web sites may be useful for students searching for schools in some cases, our undercover tests involving four fictitious prospective students led to a flood of calls—about five a day. Four of our prospective students filled out forms on two Web sites, which ask questions about students' interests, match them to for-profit colleges with relevant programs, and provide the students' information to the appropriate college or the college's outsourced calling center for follow-up about enrollment. Two fictitious prospective students expressed interest in a culinary arts certificate, one on Web site A and one on Web site B. Two other prospective students expressed interest in a bachelor's degree in business administration, one on each Web site.

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[10] Depending on the value of the gift, such a transaction may be allowed under current law. Federal statute requires that a college's program participation agreement with Education include a provision that the college will not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities. However, Education's regulations have identified 12 types of payment and compensation plans that do not violate this statutory prohibition, referred to as "safe harbors". Under one of these exceptions, schools are allowed to provide "token gifts" valued under $100 to a student provided the gift is not in the form of money and no more than one gift is provided annually to an individual. However, on June 18, 2010 the Department of Education issued a notice of proposed rulemaking that would, among other things, eliminate these 12 safe harbors and restore the full prohibition.

Within minutes of filling out forms, three prospective students received numerous phone calls from colleges. One fictitious prospective student received a phone call about enrollment within 5 minutes of registering and another 5 phone calls within the hour. Another prospective student received 2 phone calls separated only by seconds within the first 5 minutes of registering and another 3 phone calls within the hour. Within a month of using the Web sites, one student interested in business management received 182 phone calls and another student also interested in business management received 179 phone calls. The two students interested in culinary arts programs received fewer calls—one student received only a handful, while the other received 72. In total, the four students received 436 phone calls in the first 30 days after using the Web sites. Of these, only six calls—all from the same college—came from a public college.[11] The table below provides information about the calls these students received within the first 30 days of registering at the Web site.

Table 2.—Telephone Calls Received as a Result of Web site Inquiries

Student	Student's location	Web site student used	Degree	Number of calls received within 24 hours of registering	Most calls received in one day*	Total number of calls received in a month
1	GA	A	Business Administration	21	19	179
2	CA	B	Business Administration	24	18	182
3	MD	A	Culinary Arts	5	8	72
4	NV	B	Culinary Arts	2	1	3

Source: GAO.
* This number is based on the number of calls received within the first month of registering but does not include the first 24 hours.

TUITION AT FOR-PROFIT COLLEGES IS SOMETIMES HIGHER THAN TUITION AT NEARBY PUBLIC AND PRIVATE NONPROFIT COLLEGES

During the course of our undercover applications, some college representatives told our applicants that their programs were a good value. For example, a representative of a privately owned for-profit college in California told our undercover applicant that the $14,495 cost of tuition for a computer-aided drafting certificate was "really low." A representative at a for-profit college in Florida owned by a publicly traded company told our undercover applicant that the cost of their associate's degree in criminal justice was definitely "worth the investment." However, based on information we obtained from for-profit colleges we tested, and public and private nonprofit colleges in the same geographic region, we found that most certificate or associate's degree programs at the for-profit colleges we tested cost more than similar degrees at public or private nonprofit colleges. We found that bachelor's degrees obtained at the for-profit colleges we tested frequently cost more than similar degrees at public colleges in the area; however, bachelor's degrees obtained at private nonprofit colleges nearby are often more expensive than at the for-profit colleges.

We compared the cost of tuition at the 15 for-profit colleges we visited, with public and private non-profit colleges located in the same geographic area as the for-profit college. We found that tuition in 14 out of 15 cases, regardless of degree, was more expensive at the for-profit college than at the closest public colleges. For 6 of the 15 for-profit colleges tested, we could not find a private nonprofit college located within 250 miles that offered a similar degree. For 1 of the 15, representatives from the private nonprofit college were unwilling to disclose their tuition rates when we inquired. At eight of the private nonprofit colleges for which we were able to obtain tuition information on a comparable degree, four of the for-profit colleges were more expensive than the private nonprofit college. In the other four cases, the private nonprofit college was more expensive than the for-profit college.

We found that tuition for certificates at for-profit colleges were often significantly more expensive than at a nearby public college. For example, our undercover applicant would have paid $13,945 for a certificate in computer aided drafting program—a certification for a 7-month program obtained by those interested in computer-aided drafting, architecture, and engineering—at the for-profit college we visited. To obtain a certificate in computed-aided drafting at a nearby public college would have cost a student $520. However, for two of the five colleges we visited with certificate

[11] Of the 436 calls, not all resulted in a voice message in which a representative identified the school he or she was calling from. For those callers who did not leave a message, GAO attempted to trace the destination of the caller. In some cases GAO was not able to identify who placed the call to the student.

programs, we could not locate a private nonprofit college within a 250 mile radius and another one of them would not disclose its tuition rate to us. We were able to determine that in Illinois, a student would spend $11,995 on a medical assisting certificate at a for-profit college, $9,307 on the same certificate at the closest private nonprofit college, and $3,990 at the closest public college. We were also able to determine that in Pennsylvania, a student would spend $21,250 on a certificate in Web page design at a for-profit college, $4,750 on the same certificate at the closest private nonprofit college, and $2,037 at the closest public college.

We also found that for the five associate's degrees we were interested in, tuition at a for-profit college was significantly more than tuition at the closest public college. On average, for the five colleges we visited, it cost between 6 and 13 times more to attend the for-profit college to obtain an associate's degree than a public college. For example, in Texas, our undercover applicant was interested in an associate's degree in respiratory therapy which would have cost $38,995 in tuition at the for-profit college and $2,952 at the closest public college. For three of the associate's degrees we were interested in, there was not a private nonprofit college located within 250 miles of the for-profit we visited. We found that in Florida the associate's degree in Criminal Justice that would have cost a student $4,448 at a public college, would have cost the student $26,936 at a for-profit college or $27,600 at a private nonprofit college—roughly the same amount. In Texas, the associate's degree in Business Administration would have cost a student $2,870 at a public college, $32,665 at the for-profit college we visited, and $28,830 at the closest private nonprofit college.

We found that with respect to the bachelor's degrees we were interested in, four out of five times, the degree was more expensive to obtain at the for-profit college than the public college. For example in Washington, DC, the bachelor's degree in Management Information Systems would have cost $53,400 at the for-profit college, and $51,544 at the closest public college. The same bachelor's degree would have cost $144,720 at the closest private nonprofit college. For one bachelor's degree, there was no private nonprofit college offering the degree within a 250 mile radius. Three of the four private nonprofit colleges were more expensive than their for-profit counterparts.

Table 3.—Program Total Tuition Rates

Degree	Location	For-profit college tuition	Public college tuition	Private nonprofit college tuition
Certificate—Computer-aided drafting	CA	$13,945	$520	College would not disclose.
Certificate—Massage Therapy	CA	$14,487	$520	No college within 250 miles.
Certificate—Cosmetology	DC	$11,500	$9,375	No college within 250 miles.
Certificate—Medical Assistant	IL	$11,995	$3,990	$9,307
Certificate—Web Page Design	PA	$21,250	$2,037	$4,750
Associate's—Paralegal	AZ	$30,048	$4,544	No college within 250 miles.
Associate's—Radiation Therapy	FL	$38,690	$5,621	No college within 250 miles.
Associate's—Criminal Justice	FL	$26,936	$4,448	$27,600
Associate's—Business Administration	TX	$32,665	$2,870	$28,830
Associate's—Respiratory Therapist	TX	$38,995	$2,952	No college within 250 miles.
Bachelor's—Management Information Systems.	DC	$53,400	$51,544	$144,720
Bachelor's—Elementary Education	AZ	$46,200	$31,176	$28,160
Bachelor's—Psychology	IL	$61,200	$36,536	$66,960
Bachelor's—Business Administration	PA	$49,200	$49,292	$124,696
Bachelor's—Construction Management	TX	$65,338	$25,288	No college within 250 miles.

Source: Information obtained from for-profit colleges admissions employees and nonprofit college Web sites or employees.

Note: These costs do not include books or supplies, unless the college gave the undercover applicant a flat rate to attend the for-profit college, which was inclusive of books, in which case we were not able to separate the cost of books and supplies.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other members of the committee may have at this time.

Appendix I: Detailed Results of Undercover Tests

The following table provides details on each of the 15 for-profit colleges visited by undercover applicants. We visited each school twice, posing once as an applicant who was eligible to receive both grants and loans (Scenario 1), and once as an applicant with a salary and savings that would qualify the undercover applicant only for unsubsidized loans (Scenario 2).

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
1 .... AZ—4-year, owned by publicly traded company Bachelor's—Education	27	39	15	***Scenario 1*** • Admissions representative compares the college to the University of Arizona and Arizona State University. • Admissions representative did not disclose the graduation rate after being directly asked. He provided information on how many students graduated. This information was available on the college's Web site; however, it required significant effort to find the college's graduation rate, and the college did not provide separate graduation rates for its multiple campuses nationwide. • Admissions representative says that he does not know the job placement rate because a lot of students moved out of the area. • Admissions representative encourages undercover applicant to continue on with a master's degree after finishing with the bachelor's. He stated that some countries pay teachers more than they do doctors and lawyers. ***Scenario 2*** • Admissions representative said the bachelor's degree would take a maximum of 4 years to complete, but she provided a 1-year cost estimate equal to ⅕ of the required credit hours. • According to the admissions representative the undercover applicant was qualified for $9,500 in student loans, and the representative indicated that the applicant could take out the full amount even though the applicant indicated that he had $250,000 in savings. • Admissions representative told the undercover applicant that the graduation rate is 20 percent. Education reports that it is 15 percent.
2 .... AZ—4-year, owned by publicly traded company Associate's Degree—Paralegal	57	83	Not reported	***Scenario 2*** • Upon request by applicant, the financial aid representative estimated Federal aid eligibility without the undercover applicant's reported $250,000 in savings to see if applicant qualified for more financial aid. The representative informed the applicant he was ineligible for any grants. • Admissions representative misrepresented the length of the program by telling the undercover applicant that the 96 credit hour program would take 2 years to complete. However, she only provided the applicant a first year cost estimate for 36 credit hours. At this rate it would take more than 2.5 years to complete.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
3 .... CA—less than 2-year, privately owned Certificate—Computer Aided Drafting	94	96	84	***Scenario 1*** • College representative told the undercover applicant that if she failed to pass the college's required assessment test, she can continue to take different tests until she passes. • The college representative did not tell the graduation rate when asked directly. The representative replied, ''I think, pretty much, if you try and show up and, you do the work, you're going to graduate. You're going to pass guaranteed.'' The college's Web site also did not provide the graduation rate. • Undercover applicant was required to take a 12-minute admittance test but was given over 20 minutes because the test proctor was not monitoring the student. ***Scenario 2*** • Undercover applicant was encouraged by a financial aid representative to change the FAFSA to falsely increase the number of dependents in the household in order to qualify for a Pell grant. • The financial aid representative was aware of the undercover applicant's inheritance and, addressing the applicant's expressed interest in loans, confirmed that he could take out the maximum in student loans. • The career representative told the undercover applicant that getting a job is a ''piece of cake'' and then told the applicant that she has graduates making \$120,000–\$130,000 a year. This is likely the exception; according to the BLS 90 percent of architectural and civil drafters make less than \$70,000 per year. She also stated that in the current economic environment, the applicant could expect a job with a likely starting salary of \$13–\$14 per hour or \$15 if the applicant was lucky.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
4 .... CA—2-year, owned by publicly traded company Certificate—Massage Therapy	73	83	66	***Scenario 1*** • The financial aid representative would not discuss the undercover applicant's eligibility for grants and loans and required the applicant to return on another day. ***Scenario 2*** • While one school representative indicated to the undercover applicant that he could earn up to $30 an hour as a massage therapist, another representative told the applicant that the school's massage instructors and directors can earn $150–$200 an hour. While this may be possible, according to the BLS, 90 percent of all massage therapists in California make less than $34 per hour.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
5 .... DC—4-year, privately owned Bachelor's Degree—Business Information Systems	34	66	71	***Scenario 1*** • Admissions representative explains to the undercover applicant that although community college might be a less expensive place to get a degree, community colleges make students spend money on classes that they do not need for their career. However, this school also requires students to take at least 36 credit hours of non-business general education courses. • Admissions representative did not disclose the graduation rate after being directly asked. He told the undercover applicant that it is a ''good'' graduation rate. The college's Web site also did not provide the graduation rate. • Admissions representative encouraged the undercover applicant to enroll by asking her to envision graduation day. He stated, ''Let me ask you this, if you could walk across the stage in a black cap and gown. And walk with the rest of the graduating class and take a degree from the president's hand, how would that make you feel?'' ***Scenario 2*** • Admissions representative said the bachelor's degree would take 3.5 to 4 years to complete. He gave the applicant the cost per 12 hour semester, the amount per credit, the total number of credits required for graduation, and the number of credits for the first year. When asked if the figure he gave multiplied by four would be the cost of the program, the representative said yes, although the actual tuition would have amounted to some $12,000 more. • Admissions representative required the undercover applicant to apply to the college before he could talk to someone in financial aid. • Admissions representative told the undercover applicant that almost all of the graduates get jobs. • Flyer provided to undercover applicant stated that the average income for business management professionals in 2004 was $77,000–$118,000. When asked more directly about likely starting salaries, the admissions representative said that it was between $40,000 and $50,000.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
6 .... DC—less than 2-year, Privately owned Certificate—Cosmetology, Barber	74	74	Not reported	***Scenario 1*** • Admissions representative told the undercover applicant that the college was accredited by ''an agency affiliated with the government,'' but did not specifically name the accrediting body. • Admissions representative suggested to the undercover applicant that all graduates get jobs. Specifically he told the applicant that if he had not found a job by the time he graduated from the school, the owner of the school would personally find the applicant a job himself. ***Scenario 2*** • Admissions representative told our undercover applicant that barbers can earn $150,000 to $250,000 a year, though that would be extremely unusual. The BLS reports that 90 percent of barbers make less than $43,000 a year. In Washington, DC, 90 percent of barbers make less than $17,000 per year. He said, ''The money you can make, the potential is astronomical.''

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
7 .... FL—2-year, privately owned Associate's Degree—Radiologic Therapy	86	92	78	***Scenario 1*** • When asked by the undercover applicant for the graduation rate for two programs, the admissions representative did not answer directly. For example the representative stated that ''I've seen it's an 80 to 90 percent graduation rate'' for one of the programs but said for that information, ''I would have to talk to career services.'' She also said 16 or 17 students graduated from one of the programs, but couldn't say how many students had started the program. The college's Web site also did not provide the graduation rate. • Admissions representative told our prospective undercover applicant that student loans were not like car loans because student loans could be deferred in cases of economic hardship, saying ''It's not like a car note where if you don't pay they're going to come after you. If you're in hardship and you're unable to find a job, you can defer it.'' The representative did not explain the circumstances under which students might qualify for deferment. Borrowers who do not qualify for deferment or forbearance and who cannot pay their loans face fees, may damage their credit or have difficulty taking out future loans. Moreover, in most cases, bankruptcy law prohibits a student borrower from discharging a student loan. ***Scenario 2*** • Admissions representative suggested to the undercover applicant that he not report $250,000 in savings reported on the FAFSA. The representative told the applicant to come back once the fraudulent financial information changes had been processed. • This change would not have made the undercover applicant eligible for grants because his income would have been too high, but it would have made him eligible for loans subsidized by the government.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
8 .... FL—2-year, owned by publicly traded company Associate's Degree—Criminal Justice	Not reported	Not reported	Not reported	***Scenario 1*** • Admissions representative falsely stated that the college was accredited by the same agency that accredits Harvard and the University of Florida. • A test proctor sat in the test taking room with the undercover applicant and coached her during the test. • The undercover applicant was not allowed to speak to a financial aid representative until she enrolled in the college. • Applicant had to sign agreement saying she would pay $50 per month toward her education while enrolled in college. • On paying back loans, the representative said, "You gotta look at it . . . I owe $85,000 to the University of Florida. Will I pay it back? Probably not . . . I look at life as tomorrow's never promised . . . Education is an investment, you're going to get paid back tenfold, no matter what." • Admissions representative suggested undercover applicant switch from criminal justice to the medical assistant certificate, where she could make up to $68,000 per year. While this may be possible, BLS reports 90 percent of medical assistants make less than $40,000 per year. ***Scenario 2*** • When the applicant asked about financial aid, the two representatives would not answer but debated with him about his commitment level for the next 30 minutes. • The representative said that student loans would absolutely cover all costs in this 2-year program. The representative did not specify that Federal student loans by themselves would not cover the entire cost of the program. While there are private loan programs available, they are normally based on an applicant passing a credit check, and typically carry higher interest rates than Federal student loans. • The representative said paying back loans should not be a concern because once he had his new job, repayment would not be an issue. • The representatives used hard-sell marketing techniques; they became argumentative, called applicant afraid, and scolded applicant for not wanting to take out loans.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
9 .... IL—2-year, privately owned Certificate—Medical Assistant	83	80	70	***Scenario 2*** • Admissions representative initially provided misleading information to the undercover applicant about the transferability of the credit. First she told the applicant that the credits will transfer. Later, she correctly told the applicant that it depends on the college and what classes have been taken.
10 .... IL—4-year, owned by publicly traded company Bachelor's Degree—Psychology	Not reported	Not reported	Not reported	***Scenario 1*** • Admissions representative said the bachelor's degree would take 3.5–4 years to complete, but only provided an annual cost estimate for ⅕ of the program. ***Scenario 2*** • Admissions representative did not provide the graduation rate when directly asked. Instead she indicated that not everyone graduates.
11 .... PA—4-year, owned by publicly traded company Bachelor's Degree—Business Administration	47	58	9	***Scenario 1*** • Admissions representative told the undercover applicant that she could take out the maximum amount of Federal loans, even if she did not need all the money. She told the applicant she could put the extra money in a high-interest savings account. While subsidized loans do not accrue interest while a student is in college, unsubsidized loans do accrue interest. The representative did not disclose this distinction to the applicant when explaining that she could put the money in a savings account. ***Scenario 2*** • Admissions representative told the undercover applicant that the college is regionally accredited but does not state the name of the accrediting agency. The college's Web site did provide specific information about the college's accreditation, however. • Admissions representative said financial aid may be able to use what they call ''professional judgment'' to determine that the undercover applicant does not need to report over $250,000 in savings on the FAFSA. • Admissions representative did not disclose the graduation rate after being directly asked. He instead explained that all students that do the work graduate. This information was available on the college's Web site; however, it required significant effort to find the college's graduation rate, and the college did not provide separate graduation rates for its multiple campuses nationwide.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
12 .... PA—less than 2-year, privately owned Certificate—Web Page Design	52	69	56	***Scenario 1*** • Admissions representative told the undercover applicant that she has never seen a student decline to attend after speaking with financial aid. The admissions representative would not allow the applicant to speak with financial aid until she enrolled in the college. • If the undercover applicant was able to get a friend to enroll in the college she could get an MP3 player and a rolling backpack. As noted in the testimony, although this is not illegal, it is a marketing tactic. ***Scenario 2*** • Financial aid representative told the undercover applicant that he should have answered ''zero'' when asked about money he had in savings— the applicant had reported a $250,000 inheritance. • The financial aid representative told the undercover applicant that she would change his FAFSA form by reducing the reported assets to zero. She later confirmed by e-mail and voice mail that she had made the change. • This change would not have made the undercover applicant eligible for grants, but it would have made him eligible for loans subsidized by the government.
13 .... TX—4-year, privately owned Bachelor's Degree—Construction Management; Visual Communications	81	99	54	***Scenario 1*** • Admissions representative said the program would cost between $50,000 and $75,000 instead of providing a specific number. It was not until the admissions representative later brought the student to financial aid that specific costs of attendance were provided. ***Scenario 2*** • Admissions representative did not disclose the graduation rate after being directly asked. The college's Web site also did not provide the graduation rate. • Admissions representative encouraged undercover applicant to change the FAFSA to falsely add dependents in order to qualify for grants. • This undercover applicant indicated to the financial aid representative that he had $250,000 in the bank, and was therefore capable of paying the program's $68,000 cost. The fraud would have made the applicant eligible for $2,000 in grants per year.

College information and degree sought	Students receiving Pell grants [In percent]	Students receiving Federal loans [In percent]	Graduation rate* [In percent]	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
14 .... TX—2-year, owned by publicly traded company Associate's Degree—Business Administration	89	92	34	***Scenario 1*** • Admissions representative said the program takes 18 to 24 months to complete, but provided a cost estimate that suggests the program takes more than 2.5 years to complete. • The college's Web site did not provide the graduation rate. ***Scenario 2*** • Undercover applicant would be required to make a monthly payment to the college towards student loans while enrolled. • Admissions representative guaranteed the undercover applicant that getting a degree would increase his salary.
15 .... TX—2-year, privately owned Associate's Degree—Respiratory Therapy	100	100	70	***Scenario 1*** • The undercover applicant was not allowed to speak to a financial aid representative until he enrolled in the college. ***Scenario 2*** • Admissions representative misrepresented the length of time it would take to complete the degree. He said the degree would take 2 years to complete but provided a cost worksheet that spanned 3 years. • The undercover applicant was told he was not allowed to speak to a financial aid representative until he enrolled in the college. After refusing to sign an enrollment agreement the applicant was allowed to speak to someone in financial aid. • Admissions representative told undercover applicant that monthly loan repayment would be lower than it actually would be.

Source: GAO undercover visits and Department of Education.
*This information was obtained from the Department of Education National Center for Education Statistics.

The CHAIRMAN. Mr. Kutz, thank you for your testimony, but moreover, thank you for your diligence in following through on our requests for information.

Is that a vote?

A 15-minute roll-call vote has just started. Rather than interrupt our line of questioning—and I intend to have 10-minute rounds of questions for this panel, let's recess for 10 minutes or so, we'll go over and vote and come back, Mr. Kutz.

We have two votes? I only got one vote. The committee will stand in recess for 15 minutes. And that should give us time to vote. If there are two votes than we'll probably be back here in about 20 minutes.

So, we'll take at least a 15-minute break, Mr. Kutz, and we'll be back at that time.

Thank you.

[RECESSED.]

[RECONVENED.]

The CHAIRMAN. The committee will resume its sitting. I will go ahead with my first round of questioning in anticipation of other Senators coming here after this second vote. I apologize, but that's just the way of the Senate.

So, Mr. Kutz, again, thank you very much for your testimony and thank you and all of the GAO for all of the great work that you do in keeping us advised and informed.

But, Mr. Kutz, picking up on the deceptive recruiting practices, I hear a lot of talk that, "Well, these are just a few rogue people." Or, perhaps a school just has lax recruiter oversight, that the vast majority of the for-profit schools would never engage in fraudulent, deceptive, or overly aggressive marketing to students. Based on, not just this investigation, but on your experience, would you say the misleading and deceptive practices—overly aggressive marketing are the exception, or are these more widespread throughout all of the for-profit schools?

Mr. KUTZ. Well, as I mentioned in my opening statement, all 15 provided fraudulent, deceptive, or otherwise questionable practices. So, there were none that we would say were completely clean.

There were some good practices, as I mentioned, sprinkled into these, and that's not surprising—there are good people trying to do the right thing. This was not a statistical sample, but it's important to point out, too, that we did not have any specific leads that led us to those 15 locations. We didn't know what we were going to find. So, it wasn't a statistical sample, but we had no specific leads of fraud. So, certainly it gives you an indication that this is much more widespread than a few bad actors.

The CHAIRMAN. Mr. Kutz, I think, the first two clips were good practices. Did you identify those schools, or could you identify those schools? Were they on this list?

Mr. KUTZ. Yes, they were. Absolutely.

Yes, the first three, the good practices were the College of Office Technology in Illinois, Argosy University and Potomac College, here, in Washington, DC.

The CHAIRMAN. I see.

Mr. KUTZ. So, there were three clips in the good practices.

The CHAIRMAN. I see.

Mr. Kutz, in your opinion, what is the likelihood that a typical student considering a for-profit school could actually get an accurate understanding of the cost of the program and of the total cost?

Mr. KUTZ. Well, as you saw in the videos, it's highly unlikely. Not only did you have problems getting to speak to a financial aid representative, we kept saying, "We want to know how much it is," and they kept saying, "No, no, no." So, there were a lot of things. Plus, there were other things they did to kind of disguise the cost; whether telling you the program was 12 months or, 9 months and giving you 12 months of cost—or, the opposite, 9 months of cost for a 12-month program, meaning it really cost more. So, it was very difficult to sift through the cost in most cases.

There were some, again, that were good practices, but most of them it was very difficult to determine the cost. I think you're talking, too, about oftentimes your low-income people. So, I think that's some of the people that are being targeted, here.

The CHAIRMAN. Mr. Kutz, these schools are required in certain circumstances to provide prospective students with actual graduation rates for the college and programs. Your written testimony discusses the difficulty you had in obtaining these graduation rates. Could you go into more detail about that, and do you believe the average student is given an accurate understanding of the graduation rates at these for-profit schools?

Mr. KUTZ. Nine of the fifteen neither provided us graduation rates orally, or had them on their Web sites. Others, we got conflicting information at the same school. One school the person said, "We've only been around a few months, we don't really have one," the other person said it was 70 percent—at the same school. So, it was very difficult to sift fact from fiction, here.

The CHAIRMAN. Why do you believe that so many schools that we saw depicted would not even let you speak with a financial aid representative before paying a fee and signing an enrollment contract?

Mr. KUTZ. I believe it's part of the training they receive. It's a marketing pitch, and they were very consistent in some of these places. I mentioned the six—they would not let us speak to financial aid until we signed a document and paid them money as an admissions fee, or an application fee, I guess, is what it was probably called.

So, they were consistently trained. And we tried—and some of those videos went on for 40 minutes, where we kept trying to speak to financial aid. So, you saw 2-minute clips, but our students got very frustrated. You know, it was a test for us, but real people would get very frustrated. We simply wanted to know what the cost was, and we had a hard time getting to financial aid. So it was—I think it was a marketing script.

The CHAIRMAN. So, I've only got 30 seconds left, here. Your visit lasted for several hours. Would you say that the practices in those videos haven't been fully able to capture all that was in the presentation?

Mr. KUTZ. No, and there were other good practices, but there were many other bad practices. We just gave you 12 minutes of clips here—we probably had 90 to 100 hours of video from our undercover visits. Some of them took 2 or 3 hours. So, there's dead time in there, too, but there's also other things—there were other fraud cases we didn't show you, there were other cases of people inflating the cost—or, understating the cost or providing some other deceptive information. So, there's a lot more than what you saw.

The CHAIRMAN. Thank you, Mr. Kutz. My 5 minutes is up. I said we were going to have 10-minute rounds, but because we had this break to vote, I'm just going to do 5-minute rounds. We can do a second round, if people so desire.

Senator Enzi.

Senator ENZI. Thank you, Mr. Chairman.

Actually, I used to use a "secret shopper" kind of concept in the retail business, and it's valuable to find out what people are really doing. And I suspect that is just what's been done with your secret shopper and probably is making a difference in colleges out there, already. I think they'll probably clean up their act a little bit.

One of those scenarios did kind of remind me of when my oldest daughter was applying to college, and it was at a private, nonprofit college. And we had filled out the FAFSA form, and they were looking it over—we made all of our kids save money to go to college, to work and save money—and this person said, "You know, you really ought to take some of that money and buy a car and re-do your form, because that won't count." I didn't appreciate that kind of instruction to my kids after making them save their money.

Which of the situations in your investigation that were revealed in your investigation will you refer to the Department of Education's Inspector General or the Department of Justice for further review? Are you going to take some action with this?

Mr. KUTZ. Absolutely. We will refer, formally, to the investigative side of the Department of Education Inspector General the four fraud cases and, in fact, they came over to our office yesterday and met with us. So, they already are aware of the four, and so those four will go to the investigative side.

All 15 of these cases will be shared with the Department of Education, if they want to have further information from an oversight standpoint, we will share it with them, too.

Senator ENZI. Did you run into any difficulties with the hidden camera? I assume it was a hidden camera?

Mr. KUTZ. Yes, some were in hats, and some were in portfolios, and you did notice, sometimes, that we had a headshot above the nose or whatever the case may be, so sometimes—and we also went in with two. Every time we went in we had two people, there was a friend, and there was the prospective student. So, sometimes the camera would look at your prospective friend and you would lose the picture a little bit, but we typically had hats or other devices.

Senator ENZI. I think they did a pretty good job with their photography.

Now, in your written testimony, you criticized several schools for not allowing access to financial aid advice, and suggested that the Federal law requires the schools to provide that advice. And I do think that they were trying to keep people from getting information that they really deserve and need to know. Did the schools run into a problem with getting jammed up on people wanting specific financial advice without knowing whether a student had enrolled? And I'm not talking about just these colleges, I'm talking about any colleges. Do you run into that problem, where the school worries about not having enough financial aid people to provide specific information, unless they have some kind of an indication that they're going to enroll? Not necessarily signing on the dotted line for whatever the total amount is.

Mr. KUTZ. Well, as we talked in the opening statement, there were certain colleges that let us speak to financial aid representatives without signing a document and without enrolling. So, some gave us access. The other ones were very, as I mentioned, were very disciplined—they just kept saying, "No, no, no. You have to sign." So, it was a mixture. Some were more willing to share that financial information before we actually signed a document than others were. So, I don't know why that is, Senator, I mean, but it was a mixed bag.

Senator ENZI. Yes. Did they have a filled-out FAFSA form, already?

Mr. KUTZ. That's interesting. We did go in with a filled-out FAFSA, and they were actually surprised we walked in with one filled out. They said, "We usually help the students fill it out," which is a little bit scary to me, given some of the advice that we received.

But, yes, we went in with filled-out FAFSAs in all cases.

Senator ENZI. You didn't take a look at any of the public or the private nonprofits when you did this, did you?

Mr. KUTZ. No, we didn't.

Senator ENZI. Just these 15?

Mr. KUTZ. Just these 15 colleges.

Senator ENZI. So, we wouldn't know if this practice of not allowing the financial advisor is common in other schools?

Mr. KUTZ. Can't speak to that.

Senator ENZI. I'll go ahead and give up the rest of my time.

The CHAIRMAN. Twenty seconds.

Senator ENZI. I know, tremendous amount of time.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Thank you, Mr. Chairman. Thank you for this hearing. I think there is a reason to be doing this on for-profit colleges, and I have tremendous respect for the Ranking Member, but with so much of the defaults being in for-profit, and such a low graduation rate, and so much profit being made, and so much government money being spent for these for-profit schools with such bad results, on the bad actors—and I want to emphasize bad actors from good actors—this is low-hanging fruit. This feels like low-hanging fruit. Of course, you're going to have some athletic recruiting problems, we know those exist. But that's not what this hearing is about. This is about Pell grants going to schools that are recruiting people and, in an unethical manner, that are lying to people—this is of a very different order. And I think we should recognize this.

I'm very disturbed by the videos. I just want to ask you, just to make sure, Andrew Breitbart didn't edit these, did he?

Mr. KUTZ. No.

[Laughter.]

Senator FRANKEN. You testified that all 15 schools investigated by the GAO made deceptive or otherwise questionable statements to undercover applicants. Now, most of the deceptive practices that your investigation exposed are already illegal. How are these schools getting away with this? What enforcement mechanisms are missing that allow this conduct to take place so readily and openly?

Mr. KUTZ. Well, you have the Department of Education who has certain remedies with organizations that don't follow their regulations, you've got the IG who we'll be giving the fraud cases to, and then you have, of course, industry typically talks about self-policing. Some combination of those, here, clearly has failed, Senator, and I think that there are certain things that need to be done. I mean, hopefully, like you said, that these colleges will take a look at this video, or one of you said, and straighten up after this, and actually talk to their people about—it's a combination of two things—it's the fraud, but it's also, how do these people feel? You know, I asked my people, "How do you feel sitting in these things?" It's uncomfortable, it's embarrassing. A lot of these—one of these schools——

Senator FRANKEN. Well, this is clearly their M.O., though, so they may not want to give this up. This is how they hook—hoodwink people into signing on, and then rip them off. So, I'm not sure that feeling bad about it—I mean, I understand that the people who felt bad were your people.

I want to get into this good actors versus bad actors. For example, at this school called Walden University in Minnesota, it has an impressively low 2-year cohort loan default rate of 1.7 percent, and I've been told by their President that part of the reason for this is that they work hard to ensure that students they admit are good fits for their programs. Based on your research, I mean, you had all 15 be deceptive.

Mr. KUTZ. Correct.

Senator FRANKEN. How widespread do you think these deceptive and overly aggressive practices are at for-profit colleges? What other information do you think we need to determine how truly widespread this is?

Mr. KUTZ. Well, we did this, Senator, in June and July, primarily, so this is fresh information and my team did a good job of getting a lot done in a short period of time. It's not a statistical sample, but as you said, we were 15 for 15. So, there's indications that this would be a broader issue.

One of the other things, too, is the Department of Education could do this kind of thing, and they maybe do some of this, but there has to be continuous testing of this and oversight for this.

But you're right, giving this up and having sales impacted is something that is a consideration for these companies.

Senator FRANKEN. I just wanted to, as we do these hearings, make sure that we, No. 1, find a way to separate the good actors from the bad actors, and find some metrics to do that by and then act against the bad actors.

Because, I'll tell you something, and I've said this before in this committee. My wife's father died when she was 18 months old, leaving her mom widowed with five kids, four girls. All of the girls went to college, including my wife. They all managed to go to college based on scholarships and Pell grants. There's no bigger defender of Pell grants than me, because of that.

But, I can't conscience this. And we're studying these for-profit institutions for a reason. There's a reason to be having these hearings and confining them to for-profit institutions, because the numbers are so outlandish. And if we are truly talking about saving money and cutting the deficit, we ought to be going after the low-hanging fruit. And that's what this appears to be.

And I don't quite get this idea of, "Well, we also have to be studying nonprofits and publics." Fifteen out of fifteen are giving you deceptive information. I think we've located a place where there are a tremendous high percentage of bad actors. And we've got to get after them.

Thank you.

The CHAIRMAN. Senator Isakson.

STATEMENT OF SENATOR ISAKSON

Senator ISAKSON. Thank you very much, Mr. Chairman.

In your GAO highlights, it says that the 15 were selected, (A) Because the Department of Education reported that they received 89 percent or more of their revenue from Federal funds, Federal student aid, is that right?

Mr. KUTZ. That is one of the factors we considered, yes.

Senator ISAKSON. When you put the fictitious people on the Web sites, you gauged the number of solicitations that came back from those people being posted as a part of your determination?

Mr. KUTZ. No. Those Web sites were completely independent of the 15. Absolutely independent.

Senator ISAKSON. They weren't—oh.

Mr. KUTZ. Although, some of the referrals from the Web site went to some of the 15. So, some of those 15 are linked to those Web sites.

Senator ISAKSON. The point is, you had some suspicion, or some area of interest in these 15 to begin with.

Mr. KUTZ. Not really. I mean, they got a lot of Federal dollars, that was certainly one of the things. But we tried to—we did this in June and July, we did this in a very short period of time, so some of those geographic grouping, where we tried to get several in one location. But we had no specific evidence of fraud or any abuse at any location. There's a lot of noise about the industry, but we didn't pick any location, in particular, because of any specific allegations on that location.

Senator ISAKSON. Did each one of the schools have a PPA agreement with the Department of Education?

Mr. KUTZ. I don't know that. I don't know.

Senator ISAKSON. Well, following up on Senator Franken's statement and I may be wrong, and I welcome anybody to correct me that knows differently, but title IV funds are not available to you unless you enter into a Program Participation Agreement with the Department of Education.

Mr. KUTZ. This was all undercover, so presumably then they would have had that, but we did not look at any of those documents, except in our undercover.

Senator ISAKSON. Well, I'm suggesting that you go check this out, because if they did, I believe—from what I've read in the Department of Education materials and other things I've been looking for—that there are substantial violations in the Participation Agreements in title IV based on what you've shown here.

Mr. KUTZ. And I think the Department of Education agrees. We did meet with the Department of Education earlier this week, also, so they will have evidence from all 15.

Senator ISAKSON. Would their route of enforcement of a PPA agreement be through DOJ?

Mr. KUTZ. I don't know if it would be criminal, it might be more civil.

Senator ISAKSON. Who, then, would they turn it over to, to pursue the institution? Internal people within the Department of Education?

Mr. KUTZ. For the civil. For the criminal, the investigative side of the Inspector General's who we're working with on these cases. And they would work for DOJ if they actually decided to take a case to a U.S. Attorney.

Senator ISAKSON. So the IG is who you're working with?

Mr. KUTZ. On the fraud cases. On the rest of it, it would be more of the management oversight side.

Senator ISAKSON. So DOE would do the contractual violation part?

Mr. KUTZ. Yes, correct.

Senator ISAKSON. OK. Well, the reason for going along that line, we went through a lot of this on incentive compensation for recruiting students and all kinds of things. In fact, 1992 was when the Higher Education Act was amended to address the commission incentive. There's a period of time where they were paying bonuses to people for bringing students in. That's a violation now. There are only certain safe harbors where your compensation can be tied in any way to recruiting. I don't think there's any safe harbor from fraud. I don't think there's any safe harbor from this type thing.

The most effective thing the government can do is, if they have a *bona fide* case of a violation of a PPA agreement under Section 668.14 of the Act, then they ought to immediately pursue whatever legal remedy it is, or at least pursue those individuals cease and desist or remove their ability to receive the money.

Mr. KUTZ. As I said, we'll certainly make our information available to the Department of Education on the management side and on the investigative side.

Senator ISAKSON. My point for raising that is the chips will fall where they may, but I don't want to leave a hearing with a generic application against all for-profits because of 15 of them when we got 15 that violated an agreement they have with us, that we ought to be pursuing. The best way to get people to pay attention to the law is to enforce it, whether it's a regulation, a contractual agreement, or statutory law.

I'd like to know what DOE is going to do to pursue any of these violations of PPA agreements with the institutions in mind because I think that would be important for us to know.

Because if we leave here with just an indictment of an industry without actually going after people we've discovered, that certainly have information that the very least is questionable, or at the very most is probably against the law, then we ought to see to it that's enforced.

Mr. KUTZ. Can I make one more point?

Senator ISAKSON. I didn't ask too many questions.

Mr. KUTZ. Well, no, and it's along these lines. I think the accountability here should be with the schools and not necessarily the individuals. But I think what's going to happen is the individuals will be held out as rogue employees, and will be potentially dealt with individually. But I think that's probably unfair here because I expect anybody we would have walked into perhaps that was trained a certain way in marketing was going to follow the same script.

So, I think what we're going to see, and we've seen it before in other undercovers we've done for investigations that the organizations say that was a rogue employee. But I expect in some of these cases, that was absolutely not true.

Senator ISAKSON. Well, if I may, Mr. Chairman, just following on that response, I think your intuition is probably correct, but my point is that the concern over what's happened in these instances, needs to be corrected, not just stated and end up being an indictment. But then nothing's done about it. I know we have people that are doing bad things, but I know we have a lot of people doing it right. And they're going to be under a cloud unless we begin to separate the wheat from the chaff.

And I think the only way to do that is through enforcement of the program participation agreement. Then everybody will know it really means something. And then I think you'll automatically have compliance because of the ramifications of noncompliance.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I see that my friend from Georgia was talking about the Nunn Commission. Senator Nunn from Georgia headed an investigation of for-profit colleges that led to the ban on incentive compensation in the 1992 Higher Education Act reauthorization.

The second panel, Mr. Hawkins, will talk about that and point out how the safe harbors that were implemented in 2002 basically negated what was done in 1992. So, the second panel will get into this.

Next is Senator Casey.

STATEMENT OF SENATOR CASEY

Senator CASEY. Thank you, Mr. Chairman. And sir, thank you for your testimony. It was enlightening to see both the video as well as to have read the report. I have to say in the interest of full disclosure, I was the auditor general in Pennsylvania for two terms. So I know what it's like to issue reports like this, and then to be criticized for the——

Mr. KUTZ. We're not very popular, are we, Senator?

Senator CASEY. I have a high degree of skepticism when a report like this gets attacked. So I'll put that on the table.

But I was struck by the scope of what you found. I was looking through—just looking by way of summary of pages 9 through 13. And when you break it down into the categories of deceptive or questionable statements, whether it's accreditation information, whether it's graduation rate, employment, questions, program duration, cost, financial aid. I mean, you have 15 colleges, 13 colleges involved, 9, 11, 6. And you really have no predicate, necessarily to—so you're looking at this fresh. And still, we see all kind of problems.

To say it's inexcusable doesn't begin to describe the outrage of this. And you've done the American people a real service by pointing out these problems, and by making sure that we're focused on two groups of people, and maybe only these two, students and taxpayers in my judgment.

I know that sometimes when you issue reports like this, the result is a series of recommendations or suggestions. So I want to ask you about that. But I think that what a lot of people are waiting for in the wake of a report like this is accountability at a couple of levels.

Certainly at the individual level, these individuals who engage in these practices have to be held accountable. For some, that might mean firing them. And I think the institutions have to act very quickly, if they haven't already, to deal with that individually.

And they have to work that out in terms of our employment laws and statutes, but there also has to be institutional industry accountability. That needs to happen real fast if taxpayers and students in the families that they come from or going to have confidence that the results of your report are in fact being taken seriously and implemented. So that's commentary. And I know you're not here to evaluate comments like that.

But I wanted to ask you in light of the results that you found, and the outrage that we all feel about what was on the video, do you have any recommendations in terms of what the Federal Government should do, or—and I should say and the industry—in terms of strategies, tools, policies, statutory change, the whole range of possible actions that could flow from a report like this? Do you have any suggestions about how either the industry can right the ship, so to speak, and whether or not the Federal Government can take specific actions to prevent these kind of practices from taking place again?

Mr. KUTZ. Certainly. I think oversight like this, consistent oversight is going to be necessary to do this. And one of the benefits of consistent oversight like this with a lot of press coverage and whatever you're going to get is public awareness. And so, hopefully, we're go to—and that's a prevention tool. So if the public becomes more and more aware of what's going on, I think that some of the people targeted by this could believe some of the stuff that you actually saw in there and heard about, they're accredited by Harvard, just the same places Harvard University, these for-profit colleges has the same—I mean that's ridiculous, but someone might actually believe something like that.

So prevention is the most important thing here. And ways the government can do that, monitoring by the Department of Education. And then we've talked about consequences here with respect for the bad actors. If you don't make examples of the bad actors, which also can have a preventive effect, as you know, then you have a system where people think there are no consequences. And you're going to see these practices continue. So if there's no consequences, we're going to be back here a year from now with the same discussion.

Senator CASEY. Do you have any sense as to whether or not the Department of Education has the resources to do the kind of oversight that's needed here? Or do you have any sense of that?

Mr. KUTZ. I don't—I can't speak to that specifically.

Senator CASEY. I wanted to ask you as well, and this is more broad ranging, based upon your experience, but based upon your experience in doing reports like this in the past, what's the most successful post-report strategy that you've seen, where you see either the Federal Government taking action to correct these problems, or prevent them from happening? Or follow-up that's done, that's particularly helpful?

What do we have to try to avoid in the aftermath of a report like this? A hearing like this is part of the accountability. But what do we have to avoid, what do we have to be concerned about 6 months, a year from now, in terms of what didn't happen by way of follow up?

Mr. KUTZ. Well in some cases, the reactions automatically are that we need more legislation.

Senator CASEY. Right.

Mr. KUTZ. I don't know if that's true here or not. Perhaps on some of these issues, there's things that could be tightened up, but it sure appears to me that these regulations in place address most of what you saw on the video. So then it seems to me that they're not being effectively overseen and enforced. And so, unless you believe that there's holes in the regulations, and if there are, then that's your responsibility to consider legislation. If it's not, then you need to put the pressure on the Department of Education because this is Federal taxpayer money. I mean most of this is Federal taxpayer dollars. So Congress and the administration have a responsibility to make sure those dollars are being spent as efficiently, effectively as possible, and that they're not predatory lending practices and other things with low-income individuals in our country.

Senator CASEY. Thanks very much.

The CHAIRMAN. Thank you, Senator Casey.

Senator Burr.

STATEMENT OF SENATOR BURR

Senator BURR. Thank you, Mr. Chairman. Mr. Kutz, thank you very much for what I think is a very thorough investigation on your part of bad practices, fraud, whatever we want to call it. It's No. 1, unacceptable.

No. 2, it should be pursued in the most aggressive way as Senator Isakson said. And let me just ask you, without some enforcement, will this go away?

Mr. KUTZ. No, I mean, you're talking about money, profits. And, you look at sales, and I ask my people what does this seem—the people that sat in the chairs, because those are the ones that really saw this face to face. And it was kind of like an experience of buying an automobile in some cases. So I mean, yes, it's going to stay the same until someone does something.

Senator BURR. I'd ask you in that investigation, did you ever follow up to see if there was some type of cash incentive that was provided by the institution to the individual that was actually processing the application for admission?

Mr. KUTZ. That's a great question. We didn't see it, but we saw certain things like the boards you might see up in the sales organization would close sales and things like that. So clearly, these were salespeople. There certainly appeared to be sales targets in some cases. Whether they're being compensated based on that or not, it sure felt that way, but there's no way for us to know.

Senator BURR. Clearly, Mr. Chairman, that's an area I'd love for the Department of Education to look at within the contractual agreements we have with institutions. That might be an area that we look at eliminating any concerns about incentives playing a role in one's willingness to break the law.

As troubling as this sounds, I've got to say, I'm more concerned with the graduation rates in this country than I am with whether it happened in for-profit or not-for-profit. I think we need to stay focused on how many kids get across the goal line.

In North Carolina, we have 58, 4-year institutions by my count. Of those 4-year institutions, 9 institutions had a greater than 50 percent graduation rate after 4 years. Twenty-two had a greater than 50 percent graduation rate after 6 years. Twenty-four had a greater than 50 percent graduation rate after 8 years.

In 2-year institutions, we have 120. Twenty-six of those institutions had a graduation rate of over 50 percent in the third year. Of those 26 institutions, 20 institutions were for-profit. Of the 94 that didn't meet the 50 percent threshold after 3 years, 88 were public institutions and 6 were for-profit.

So I share this with my colleagues to let them know the label of for-profit or the label for nonprofit has no specific impact on graduation rates. And I think ultimately, that's something that we have to stay focused on from a policy standpoint.

And I would conclude, Mr. Chairman, with just this observation, we're talking about the Federal Government's partnership in this particular case with institutions and flow through from institutions to students. When I look at a full-time student for 8 years still receiving financial aid, and a graduation rate at 8 years or under 50 percent, I have to ask myself where does the Federal obligation to aid with graduation stop? I'm not talking about students that are on part-time schedules. I'm not talking about students that have to drop out because of family matters and come back. I'm talking about the student that is a full-time student throughout that whole process because they haven't figured out what their major's going to be. They like school.

And I think we have to ask policy question at some point up here. If that crowds out somebody that wants to enter as a freshman, and doesn't provide them equal opportunity at those Federal resources, then we've got to rethink where our priorities are.

I certainly don't have the answer. And I'm not here to do it. But I am here to say to my colleagues, it's a question that needs to be asked. More importantly, we need to focus more on graduation rates than how a school is constructed. But we need to hold for-profit and not-for-profit to the standards of the contractual agreements they have for the Federal partnership that Senator Isakson talked about. And I hope the Chairman will very seriously ask you, Mr. Kutz, if we haven't already, to take a similar review of the not-for-profit institutions that we have to find out if the problem is as great at those institutions as you found in the for-profit institutions. Again, I thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Burr.

Senator Goodwin.

STATEMENT OF SENATOR GOODWIN

Senator GOODWIN. Thank you, Mr. Chairman. I'd like to follow up on Senator Franken's questions to you earlier about the scope of the investigation, and specifically, the number of schools that were included as the chairman described there, you certainly have a significant amount of experience handling investigations, just like this.

So my question would be, given the scope of this industry nationwide, what sort of conclusions can you draw from the fact that for 15 schools engaged in what looks like pretty egregious conduct, four may have, in fact, committed fraud. What sort of conclusions can you draw from the fact that four schools in this industry committed conduct like that? And what sort of principles can the committee extrapolate from those findings?

Mr. KUTZ. Well, 4 out of 15 for fraud is very disturbing.

Senator GOODWIN. Sure.

Mr. KUTZ. Because you're talking about people stealing from the Pell grant program, and Subsidized Student Loan Program. That takes money out of taxpayers' pockets certainly. So that is alarming. And that's something of all the enforcement things we've talked about here, that needs to be dealt with in the most strict manner by the Education IG and the Education Department, because those practices cannot be accepted under any circumstances—fraud in any program, getting that out of the program. Whatever anti-fraud tools you have to prevent these practices—if someone's taking the $250,000 off a form, what's the Department of Education doing on those FAFSA forms to validate people's assets? That's an important issue. I know that the IG has recommended in the past, as I understand, checking against IRS records independently to look for people under reporting income, because that's what we're talking about here, people falsifying the FAFSA forms to get Pell grants and subsidized student loans. And there are anti-fraud tools the Department of Education could use to prevent that.

Senator GOODWIN. That's related to my next question. Did your investigation in your opinion reveal gaps in the regulatory and oversight scheme for these schools, or simply a need for increased monitoring and enforcement of existing regulations?

Mr. KUTZ. Probably both. I mean, it was a strict undercover. So we didn't evaluate the Department of Education. But given what we saw, it's certainly a period a little bit like the wild, wild West out there if you will. So that would indicate that there is not a lot of regulatory infrastructure in place overseeing or enforcing perhaps both in this particular case.

Senator GOODWIN. You also mentioned earlier it was your intuition, and reasonable at that, that these folks we witnessed on the videos may have been trained in certain sales tactics and marketing approaches. And as the Senator from North Carolina referred to in his questioning, there may in fact have been incentives to reach certain sales goals. Did your investigation reveal any evidence of such incentives or marketing training or the converse, a lack of training as to how to respond to questions from prospective students in a manner that complied with Federal law?

Mr. KUTZ. There could have been lack of training, but it was really more training in a script and some of the actual practices we saw, like not letting someone speak to financial aid until they signed enrollment papers and paid an admission or application fee, they were—again, they were very, very persistent. We tried every which way. Those videos you saw were 2 minutes, but we tried for 40 minutes to get into financial aid in one case. They just wouldn't let us in there.

Maybe you didn't see the last video when they ripped up the application.

Senator GOODWIN. Sure, yes.

Mr. KUTZ. So that was the end result. I think they were very well-trained. But perhaps another one, that was six of them, that just refused to let us go to financial aid without signing a document enrolling you into the school.

But there are other ones that I think may have just been lack of training or other types of things as you mentioned.

Senator GOODWIN. All right. Thank you, sir. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Goodwin.

Senator Mikulski.

STATEMENT OF SENATOR MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman. I want to salute you and the Ranking Member Senator Enzi for having this series of hearings on proprietary colleges.

I would like to ask unanimous consent that a statement be placed in the record. Mr. Chairman, I took the lead 18 months ago to get higher education re-authorized when Senator Kennedy was so sick. We worked closely with you to work very closely with Senator Enzi, and also with my good friend from Tennessee.

You know, we thought what we were creating was an opportunity ladder for people of all ages and all stages to pursue higher education. And we worked very hard.

Now we see that what has been created in some instances is not a ladder of opportunity, but a black hole of debt and disappointment and heartbreak.

I do think we need to reform, but I think we need to parse out the good, the bad, and the ugly. And we look forward to working with you. There's a lot of accumulated knowledge here that we could benefit from.

My concern is with the Pell grants, we could be on the cusp of what I call the Pell grant bubble. All these schools have sprung up in the last couple of years or added to their enrollment. And part of their largesse is coming from the Pell grant program. It's a rip off of the student. And it's a rip off of the taxpayer. And I think it's despicable.

Well, let me get to my questions Mr. Kutz. These people who are—these so-called admission representatives, do you regard them as bounty hunters? And were they paid bonuses, a variety of fees? Did they have quotas that they had to meet, et cetera? And were they paid bonuses? In other words, did they function like bounty hunters?

Mr. KUTZ. They functioned as sales people is the way I would describe it. And whether they were—it was an undercover, Senator. So we don't know for sure what was happening behind the scenes. But they certainly appeared to be well-trained in hard close tactics in aggressive marketing tactics. And you may have missed the video, but you actually saw what it was like to sit in the chair——

Senator MIKULSKI. Yes, sir, I just read the script.

Mr. KUTZ. So yes, it was aggressive marketing and salespeople. They were called admissions officers.

Senator MIKULSKI. But you don't know if they had quotas, et cetera?

Mr. KUTZ. We don't know that, no.

Senator MIKULSKI. OK. Well, I'm going to call them bounty hunters. Were these bounty hunters employees of the college or the school? Or were they kind of like a telemarketing firm that's trained in, kind of eat your kill tactics?

Mr. KUTZ. The ones that we did the face to face with, which was the 15 colleges, they appeared to be employees. We also registered on two Web sites. And those appeared to me more telemarketers who were feeding the for-profit colleges.

Senator MIKULSKI. So again, it's not a one-size-fits-all bounty hunter issue?

Mr. KUTZ. No, some were employees and some were what I call lead generators.

Senator MIKULSKI. So we could prohibit telemarketing? Now let me ask you this question. After these students were recruited with often duplicitous promises, the false certification, et cetera, when they went to these schools, did they get what they paid for? In other words, if they signed up for everything from radiation therapy to a business degree, were the programs accredited for work in those fields?

Mr. KUTZ. We never actually went to class. We stopped the undercover. We just did these tests in June and July. We didn't go all the way through. We ended our undercover at the applications process. So we don't know what we would have actually gotten if we attended class.

Senator MIKULSKI. So you don't know if after the duplicitous luring in of these students, where they thought they were getting a degree in say massage therapy or radiation therapy, which are licensed programs by the State, whether those students received appropriate training? They also have to be an accredited institution.

Mr. KUTZ. We didn't go far enough to do that.

Senator MIKULSKI. You didn't do that?

Mr. KUTZ. No.

Senator MIKULSKI. But that's another realm that we should look into. If they lied to you to get you in, do they lie to you when you're there?

Third, what would you recommend as the metrics, because you are GAO guys—what would you recommend as the metrics to be able to parse out the good, bad, and ugly in terms of this type of recruitment?

Mr. KUTZ. Well, from the standpoint of what we saw, certainly fraud, deceptive marketing. I'm not sure what metrics you can have there. Some of the metrics they use, of course, are graduation rates, student loan default rates. Completion rate, I understand, is a different term that's used. So those are the metrics that are used.

And these schools we went to, the graduation rates varied from single digits to 80 percent. So it was kind of all over the board. And the default rates are very, very high in this industry.

But on the fraud, hopefully the metric is none. You know, hopefully, you don't have your employees telling people to lie about Pell grants, but that's in fact what we found. So to me, the metric there is zero is the right metric.

Senator MIKULSKI. Well, schools operate on a broad range. I have an online university called Walden, and the default rate is less than 3 percent. That's better than the University of Maryland. And also, I have another school, where the default rate is 48 percent. That's outrageous.

But I just want to then turn to the Chair, picking up with some of the issues raised by Senator Isakson. If in fact what you alleged is that these bounty hunters told students to lie, that means there's an intent to defraud the Federal Government. And I think my question, Mr. Chairman, is should we get this information for Federal prosecution? You're a good lawyer. I mean, if people are not only engaging in predatory practices, but also intending to defraud the Federal Government, I think they need to be prosecuted.

Mr. KUTZ. Senator, we've done that. We've met yesterday, in fact, with the investigative side of the Department of Education Inspector General. And so, those cases are all being referred to law enforcement. And whether they can make cases and take to a U.S. Attorney and get something done, I don't know that, but they are certainly going to consider them.

Senator MIKULSKI. Well, I would like to know that. When I've got a school that's got a 3 percent default rate, you talked about a culinary school, there's only one culinary school in Baltimore. They were called back 72 times. It meant that they were cooking up something else other than steamed crabs. And I'm pretty steamy about what's going on here and even crabby about it.

[Laughter.]

Mr. KUTZ. I can't comment on that.

Senator MIKULSKI. So this old song is ready to go. Thank you, Mr. Chairman.

Mr. KUTZ. I'm glad you're not crabby at me, though, at least. Thank you.

Senator MIKULSKI. Mr. Chairman, just a personal point—Kutz is my mother's family name. Are you all from Pennsylvania?

Mr. KUTZ. No, actually from Wisconsin, but Kutztown, it's the same——

Senator MIKULSKI. Yes, we never made it past Baltimore.

Mr. KUTZ. Never made it up there, OK.

Senator MIKULSKI. No, we got to this Polish sausage and opened a grocery store and there we are.

[Laughter.]

But anyway, thank you for all your good work. I appreciate it.

Mr. KUTZ. Thank you, Senator.

The CHAIRMAN. All right, cousins.

Senator Bennet.

STATEMENT OF SENATOR BENNET

Senator BENNET. Thanks, Mr. Chairman. I may have lost track of what this hearing's about.

[Laughter.]

But I'm glad to be here. Mr. Kutz, thank you for your testimony, which revealed an array of problems, problems that, by the way, should be of concern and I think are of concern to the taxpayers and to prospective students and to the private universities themselves, at least the ones that are not engaged in the practices like the ones you saw. They're very disturbing.

And my first question was, what is your sense about how much the problem is coming from a lack of enforcement of current rules versus a need for additional regulation? How is your experience with this investigation led you to think about that question?

Because there are a lot of things we saw that are clearly—in all respect—in theory regulated already, but there may be an enforcement problem. I wonder if you could talk about that a little bit?

Mr. KUTZ. Right, well, fraud is fraud. And so we can talk about that.

Senator BENNET. Right.

Mr. KUTZ. But some of the other regulations, I just wrote down some just so I have them, but there are certain requirements related to disclosures with tuition, fees, other costs, accreditation, completion and graduation rates. We found issues with all of those.

So in those instances, the regulations are there. And it's a matter of whether they're being enforced.

Senator BENNET. Do you think that—and whose job is it to do that enforcement?

Mr. KUTZ. The Department of Education.

Senator BENNET. Do you think they're resourced adequately to do that? I know you talked——

Mr. KUTZ. I can't speak to the resourcing.

Senator BENNET. OK.

Mr. KUTZ. I mean, we met with them. They're certainly aware of these. And we're hopeful that they will use these to help improve their enforcement and oversight.

Senator BENNET. Did you get an impression, having seen the regulations that already exist, that were clearly being violated, an impression about further work we should do, either statutory or regulatory to try to deal with practices that are not yet governed by these regulations?

Mr. KUTZ. We can consider that. We did this in 3 months. And actually, if you watch the videos, they were all from June and early July. We scrambled to really work hard. My team did a great job logistically to pull this off with these undercovers across the country in a period of just weeks.

Senator, we could certainly consider that and get back to the committee on any things we see as holes in the regulations, if they came up. And we may not, but if we see anything, we would certainly share that with you.

Senator BENNET. One of the challenges, I think, that we are going to face, and that the DOE is going to face is that it's so difficult to monitor every individual transaction that occurs. And that probably is not a sensible way to approach this, at least from my point of view.

And so the question is, how do we have a set of enforcement mechanisms that really will work?

Mr. KUTZ. I think on certain things, like let's say Pell grants, for example, you've got the FASFA form. There are things you could do systemically there perhaps, such as looking at other independent databases of people who falsified those forms.

If you could have access to IRS database, for example, you could run a match of IRS against Pell grant recipients, you would likely find people who were understanding their assets.

Senator BENNET. Well, that was the video where they said you don't need to put this on your FAFSA form because that's what the income tax form is for?

Mr. KUTZ. That's what they said, yes.

Senator BENNET. Yes.

I wonder—just a last question, Mr. Chairman, how often during the investigation you found that prospective students were not able to speak with the tuition counselor until they paid an application fee? I mean, how common is that? That was one of the more disturbing things that we saw this morning.

Mr. KUTZ. They absolutely refused to let us speak to financial aid without signing enrollment and providing an application fee, 6 out of 15 times.

Senator BENNET. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Bennet. Senator Kutz, or Mr. Kutz, thank you very, very much.

Mr. KUTZ. Thank you for the promotion.

[Laughter.]

Maybe a demotion around here. But again, thank you and all at GAO for your outstanding work. And we'll be interacting with you as we go ahead with our further investigations. Thank you very much.

Mr. KUTZ. Thank you so much.

The CHAIRMAN. We'd like to now move to our second panel. And our second panel is: first, David Hawkins, director of Public Policy and Research at the National Association for College Admission Counseling, a nonprofit membership organization founded in 1937 by 19 midwestern colleges to create a code of ethics for college admission counseling. Mr. Hawkins has been at this organization since 2000. And also recently, he served in the Department of Education's negotiated rule making panel as a representative of college admission officials.

After Mr. Hawkins, we'll hear from Michale McComis, who is the executive director and chief executive officer of the Accrediting Commission of Career Schools and Colleges. Dr. McComis joined ACCSC in 1994 and currently oversees the accreditation process for over 800 schools that enroll more than 250,000 students. He's also an adjunct faculty member at the University of Virginia, teaching graduate courses in education policy.

Finally, we have Joshua Pruyn, who worked as an admissions representative at Westwood College in Denver from November 2007 through May 2008. Mr. Pruyn now works in development for a Colorado-based substance abuse treatment provider. He graduated from Alfred University in 2005.

Again, I welcome our second panel. All of your prepared statements will be made a part of the record in their entirety. I ask if you could basically sum up in 5 minutes or so. If it goes over a little bit, fine, but not too much, I hope. And again, your statements will be made a part of the record.

And we'll start, as I said, again, with Mr. Hawkins, director of Public Policy and Research for the National Association for College Admission Counseling. Mr. Hawkins, welcome and please proceed.

STATEMENT OF DAVID HAWKINS, DIRECTOR OF PUBLIC POLICY AND RESEARCH, NATIONAL ASSOCIATION FOR COLLEGE ADMISSION COUNSELING, ARLINGTON, VA

Mr. HAWKINS. Thank you very much, Mr. Chairman, members of the committee. Thank you for holding this hearing. And thank you for inviting me to be a part of the testimony here today.

The National Association for College Admission Counseling, as you said, is a nonprofit association of high school counselors and college admission officers from across the United States and around the world. We have a code of ethics that we call our Statement of Principles of Good Practice that govern admission practice for our member colleges and universities, as well as high schools. We have some binding principles that are enforceable within our membership. And we also have best practice principles that guide ethical practice for admission.

In founding our association, the colleges that developed the idea of standards for ethical practice realized that it was not in their best interests to engage in a race to the bottom in terms of unethical admission practice.

Likewise, perhaps more importantly, it was not in the students interest because students suffer from the same kinds of information asymmetry, frankly, that we see in other situations. The subprime mortgage industry comes to mind immediately, where you have the situation in the admission and financial aid process, where there is an incredible amount of ground to cover if you're a prospective student. If its your college, you know the information backward and forward. So there's an asymmetry there that leaves students particularly vulnerable to being misled in the process.

Our founding colleges realized that. And they set forth in an effort to strive for higher standards for admission practice.

Our involvement in the issue before the committee really stems back to the 2002 creation of what we are calling the safe harbors to the incentive compensation ban that is in the Higher Education Act. And as some of you alluded to earlier, that incentive compensation ban was enacted in 1992 after the Nunn Commission hearings, which found substantial problems in recruiting and admission, similar to the ones we've seen today. I would also point out, and have pointed out in our written testimony, that the Department of Education also covered this ground in the 1970s. There doesn't appear to have been any statutory result to Congress' and the department's investigation into recruitment practices in the 1970s, but I did include some information in our written testimony, indicating that it has been a problem that far back.

Our concern about the safe harbors that were enacted in 2002 is that they have effectively gutted the incentive compensation ban that was passed by Congress in 1992. Our concern specifically is that it's created a roadmap for institutions to circumvent the law as it was designed originally by Congress.

We pointed out in 2002 to the department, as we have pointed out in our written testimony today, that what would result from the safe harbors was fairly widespread potential for fraud and abuse, and actual fraud and abuse. And unfortunately, I think we've seen this borne out.

The basic features that—of the practices that the incentive compensation ban was enacted to eradicate on the college side, you see aggressive boiler room style sales tactics. You see obfuscation of financial aid information and costs. You see misinformation about academic programs accreditation and transfer of credits. You see false statements or misrepresentations about employment prospects and earnings potential. And in just about every case, what lies behind a lot of this is the fact that admission officers and recruiters are compensated almost exclusively if not exclusively, based on whether a student enrolls.

So they do not get paid or they may risk substantial pay reduction or even firing if students—if they do not actually process students through the door.

What results is a cascading series of problems for students, of course. They're pressured into making decisions without accurate information or being offered an opportunity to consider their options to comparison shop.

They're ushered through the enrollment process with no information about the amount of debt that they may incur. They're roped into programs that may be ill-suited for their needs. And they're left with a large, large mountain of debt, which is very difficult to pay off, particularly if you do not improve your employment prospects.

Of course, these are bad enough for the students. And I think that we have to consider that we are really concerned about the students here in this discussion, but they are equally concerning for the taxpayers, because when the students default on their loans, the taxpayers end up picking up the tab. So I think it's in our fiscal health interest to make sure that this problem is cleared up.

I think in closing, really, I think contrary to what we've heard from the industry, these practices seem to be standard at this point. These are not isolated incidents. These do not appear to be isolated incidents of bad actors or rogue officers. This appears to be a fairly standard practice, which again, has been pretty—the blueprint for which has been laid out through the safe harbors.

We acknowledge certainly that nonprofit colleges have occasionally run afoul of the incentive compensation ban, just as they sometimes run afoul of our own standards in our association. And for that reason, we sincerely appreciate the discussion that you, Mr. Chairman, have started here with this hearing. We certainly appreciate the Department of Education's effort to tighten up the regulations and eliminate the safe harbors. We will look forward to being a part of this discussion moving forward. Thank you.

[The prepared statement of Mr. Hawkins follows:]

PREPARED STATEMENT OF DAVID HAWKINS

SUMMARY

The Importance of Ethical Admission Practice as a Student and Taxpayer Protection

This testimony offers the perspective of the National Association for College Admission Counseling (NACAC), a non-profit association of college admission professionals that maintains a code of ethics for admission practice in the United States, on recruitment practices in relation to title IV Federal student aid programs. NACAC's ethical code mirrors Federal law in that it prohibits the payment of commissions to admission officers based on the number of students recruited or enrolled. This testimony discusses how "commissioned sales" as an admission model leads to harmful consequences for students and taxpayers due to information asymmetries in the admission and financial aid processes, particularly as they involve Federal financial aid.

The Current Regulatory Challenge

Congress' 1992 enactment of the ban on incentive compensation for admission and financial aid officers as a program integrity measure helped curb fraud and abuse in student aid programs. However, the creation of 12 regulatory loopholes (dubbed "safe harbors") to the ban by the previous Administration in 2001–2 substantially weakened the law. Our objections to the "safe harbors" noted that widespread abuses would result from the creation of such loopholes. Indeed, the effect of the "safe harbors" has been to render statute nearly meaningless. We offer evidence of widespread disregard for the letter and spirit of the law banning incentive compensation, as institutions—particularly those concentrated in the for-profit sector—appear to have made commissioned sales in admission standard business practice, with potentially disastrous results for students and taxpayers. Such evidence includes investigative reporting from news outlets across the Nation, State and Federal regulatory actions, and lawsuits highlighting the extent to which the ban on incentive compensation has been diluted.

Recurring Nature of Problems With Incentive Compensation and the Effort to Correct for the Absence of Regulatory Oversight

Finally, this testimony provides a brief reference to previous congressional efforts to reign in abusive recruiting practices. Congress was presented with evidence in the 1970s that commissioned recruiting practices posed a threat to the integrity of Federal aid programs. The Nunn Commission in the early 1990s offered evidence of the same abuses, resulting in the enactment of the ban on incentive compensation in the 1992 Higher Education Act reauthorization. In 2010, after nearly a decade of a weakened regulatory effort, Congress is faced with yet another abundance of evidence that abusive recruiting practices pose a threat to title IV program integrity. The Department of Education has issued draft regulations that would restore the regulatory purpose that Congress intended in 1992, and eliminate the safe harbors in favor of tougher regulation to ensure that students and taxpayers are protected from harmful recruiting practices.

ABOUT NACAC

NACAC is a non-profit association of nearly 12,000 high school counselors and college admission officers across the United States. The association represents more than 1,600 high schools and 1,100 not-for-profit public and private colleges and universities. Founded in 1937, NACAC's core mission is to provide a code of ethics for the college admission counseling profession. NACAC's *Statement of Principles of Good Practice* constitutes the guiding principles for professional college admission practice in the United States.

ETHICAL ADMISSION PRACTICE

NACAC's *Statement of Principles of Good Practice* states that members "will not offer or accept any reward or remuneration from a college, university, agency, or organization for placement or recruitment of students. Members will be compensated in the form of a fixed salary, rather than commissions or bonuses based on the number of students recruited."

Association members stress that NACAC's core principles are intended to serve the student interest in the transition from secondary to postsecondary education.

Members will readily acknowledge that the number of students enrolled in a given academic year is a matter of great importance to all institutions of higher education. *However, reducing the basis for compensation to the number of students enrolled in any circumstance introduces an incentive for recruiters to ignore the student interest in the transition to postsecondary education, and invites complications similar to those that preceded the enactment of the ban on incentive compensation in the 1992 Higher Education Act reauthorization.*

Our historic concern with the treatment of admission officers as professionals, rather than salespersons, is rooted in the interest of students in transition to postsecondary education. Because the transition to higher education is an unsystematic, often opaque process that individuals possessing varying levels of "college knowledge" must navigate, the information asymmetry between the employees in charge of recruiting and prospective students is immense. In an unregulated environment, the potential for misrepresentation and outright fraud is a clear and present threat, which can result in harm to students and, in the case of Federal aid and loans, to the taxpayer. Indeed, the recognition of this asymmetrical environment and its potentially detrimental effects on students was the founding purpose for NACAC in 1937.

Examples of such information asymmetry include:

- **Lack of access to information about higher education is a well-documented challenge among under-served populations.** The lack of information about college makes low-income students particularly susceptible to misrepresentation of information about a college or course of study. Aggressive recruiters whose livelihoods depend on meeting a weekly quota will have little incentive to accurately represent the goodness of fit between a potential student's interests or qualifications and the institution's program.
- **Lack of information about financial aid is a second well-documented challenge among under-served populations.** Commissioned sales creates an incentive to obfuscate the source and nature of the financial means by which prospective students will pay for their education. The complexity of the modern financial aid system is indisputable, and unscrupulous institutions and recruiters use this complexity to their advantage. Indeed, NACAC has long argued for greater clarity in the presentation of financial aid packages at institutions of all types. In an environment where commissioned sales is accepted practice, the potential for manipulation and deception of financial aid information is far greater.
- **Potential students trust colleges as gateways to certifications, licensing, and professional education.** Understanding the level of education that is required to work in a professional field is a complicated task. A major challenge for secondary school educators, in fact, is to guide students to the appropriate institutional fit for pursuing careers. Much of the guidance school counselors offer to students about where to apply and or enroll in postsecondary education is based on students' career preferences and academic skills. Such guidance can mean the difference between successful and unsuccessful completion of a postsecondary certificate or degree. Non-traditional or under-served populations, who may be years removed from the structure of high school and/or whose high schools may not be equipped for college counseling, are often at the mercy of recruiters or admission offices for guidance. Most students trust that colleges will steer them in the right directions. Few seem to be prepared for high pressure sales tactics, and few—as evidenced by testimony from the previous hearing—seem aware that a college can be a for-profit company, or that there may be cause to question what recruiters and advertisements are telling them. Whereas consumers may be prepared for a high-pressure sales pitch at a car dealership, home improvement store, or other commercial setting, few are aware that a college recruiter might employ the same tactics. Taking advantage of this trust enables recruiters to exploit a potential student's lack of awareness of the terms of the interaction.

Students trust postsecondary educational institutions and their admission officers because counseling—as opposed to sales or marketing—has historically been a prominent part of ethical admission practice at American colleges and universities. NACAC's commitment to the counseling component of higher education admission is contained in the association's "Statement on the Counseling Dimension of the Admission Process at the College/University Level." (See Attachment 1) According to the statement:

> Increased recruitment efforts, the introduction of marketing concepts and the trend toward enrollment management have led to the perception, real or imagined, that recruitment and marketing techniques are taking the place of counseling. It has been suggested that while encouraging the optimum fit between student and institution was once considered important, what counts most today

> is using any means possible to attract students to meet enrollment and economic targets.
>
> NACAC stands firm in its position that counseling has been and continues to be an essential, if not the most essential, ingredient in the college admission process. The development of human resources and the assurance that each student will be helped to realize his/her educational potential can only strengthen and perpetuate the strong democracy we so proudly enjoy—the democracy that, in turn, encourages and supports our diverse educational system.

NACAC considers the commitment to professional admission practice as an ethical imperative that serves student interests. The additional commitment to upholding the law constitutes an obligation to protect students and the taxpayers who underwrite the aid system that offers access to the full diversity of postsecondary institutions and provides an opportunity for a diverse range of institutions to operate.

The ban on incentive compensation is a "front-end" protection for Federal student aid programs is among the last-remaining Federal protections against waste, fraud and abuse. Without such a restriction, unscrupulous institutions may:

- Use aggressive and misleading recruiting tactics to bolster enrollment numbers;
- Manipulate the academic program, such as awarding inappropriately high or passing grades to students who have not successfully completed coursework;
- Manipulate output measures, such as the student loan default rate, to mask serious integrity risks that result from the inappropriate recruitment of students.[1]

Even in the absence of outright manipulation, the risks incurred by institutions that use overly aggressive marketing tactics to enroll students who are unable or unlikely to benefit from an educational program are unacceptable for proper stewardship of taxpayer funds.

FAILURE OF REGULATORY PURPOSE

The Higher Education Act statutory ban on incentive compensation states:

> [An] institution will not provide any commission, bonus, or other incentive payment based directly or indirectly on success in ensuring enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the award of student financial assistance, except that this paragraph shall not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Federal student assistance. (20 U.S.C. § 1094(a)(20)).

This statute is worded similarly to NACAC's guidance on the same matter: "Members will be compensated in the form of a fixed salary, rather than commissions or bonuses based on the number of students recruited." In NACAC's judgment, the wording in each instance is sufficiently clear to dictate forms of practice allowable under both the law and the accepted standards of the college admission profession.

In 2001–2, the Department ostensibly developed the current regulatory "safe harbors" to clarify Federal policy toward enforcement of the incentive compensation statute. In our opinion, as expressed in our comments at the time, most "safe harbors" were neither necessary nor appropriate given the clarity of statute. NACAC also expressed concern that the regulatory safe harbors were enacted despite clear statements of concern from procedural and substantive standpoints. In the first instance, the Web-based Commission on Education, which issued a report in 2000, noted that the Department of Education stated that "this [incentive compensation] provision could only be changed through new legislation."[2] However, the Department subsequently embarked on a regulatory change in 2001. In the second instance, the regulations were passed over the objections of the two major associations representing admission officers (NACAC and the American Association of Collegiate Registrars and Admission Officers, or AACRAO), as well as members of the negotiated rulemaking committee.

Shortly after the regulations were finalized, the U.S. Department of Education's Office of Inspector General noted:

> We nonconcurred with one provision to change the incentive compensation regulations. This provision would allow institutions to pay third parties based on success in securing enrollment, without limitation on the incentive nature of those payments. We do not believe that the existing statutory ban on incen-

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[1] See Final Audit Report ED-OIG A02H0007, U.S. Department of Education, Office of Inspector General, May 19, 2008; See also "Lawsuit Accuses U. of Phoenix of Protecting Its Default Rate at Students' Expense," *Chronicle of Higher Education*, January 14, 2009.

[2] "The Power of the Internet for Learning: Final Report of the Web-based Education Commission," December 2000.

tive compensation allows any incentive payments to entities involved in recruiting based on their success in enrolling students. (Semiannual Report to Congress No. 45, U.S. Department of Education, Office of Inspector General, p. 9)

NACAC sought more information about why the Inspector General's "non-concurrence" was overridden by the Administration via the Freedom of Information Act (FOIA). NACAC's request for information about the statutory grounds for implementing the safe harbors over the objection of the Inspector General was denied, as were subsequent appeals.

Despite their ostensible purpose, the safe harbors have failed to (1) provide additional clarity, and (2) satisfy statutory intent of preventing the use of incentive compensation for admission and financial aid staff. We believe that the regulations, combined with what appeared to be a de-emphasis of oversight within the Department,[3] created an environment in which enforcement was effectively gutted.

PRACTICAL EFFECTS OF REGULATORY LOOPHOLES AND DE-EMPHASIS OF REGULATION

In the 8 years since the enactment of the regulatory safe harbors, there is evidence of widespread disregard for the incentive compensation statute. Documentation of this phenomenon is included in this written testimony as Attachment 2. This documentation provides what we believe is a critical mass of evidence to suggest that the practice of compensating admission officers via commission has become standard practice at many institutions of higher education, particularly in the publicly traded for-profit sector. Our concern for compliance with this long-held ethical principle and Federal law extends to colleges of all types. Indeed, NACAC's *Statement of Principles of Good Practice* binds our postsecondary members (all of whom are not-for-profit public and private institutions) to this principle in addition to their legal obligation. However, evidence that incentive compensation is more the rule than the exception in the publicly traded for-profit sector is plentiful. Prominent examples include:

- "Telemarketing—that's how enrollment at Lehigh Valley College often begins. Recruiters must make 125 calls and schedule five appointments a day, and enroll 10 applicants a month. Top performers get vacations to the Bahamas. Those who fail to sign up enough applicants are asked to resign." (Allentown *Morning Call*, April 24, 2005) Among the *Morning Call's* investigative findings were "aggressive and sometimes misleading sales tactics are at the center of LVC's recruiting. School officials give prospective students inaccurate or incomplete information."
- "Admission counselors [at Career Education Corporation's Brooks College] . . . were expected to enroll three high school graduates a week, regardless of their ability to complete the coursework. And if they didn't meet those quotas, they were out of a job. [Admission counselors] all say the pressure produced some very aggressive sales tactics." (*60 Minutes*, January 30, 2005)
- "Many former students say admissions representatives told them whatever they thought the applicants needed to hear to get them to sign on the dotted line. The students claim admissions reps said it was a prestigious school that they would be lucky to gain admission to, when it actually accepts anyone eligible for a student loan. The graduates say they were misled about the terms of their loans; many have since realized that by the time they finish making payments, they'll have paid more than $100,000 for just 15 months of school. . . . Two former admissions representatives who worked at [California Culinary Academy] confirm that students were misled. . . . The two women describe a high-pressure sales environment where the reps focused solely on meeting enrollment numbers, not on finding students who would benefit from the program." (*San Francisco Weekly*, June 6, 2007)
- "[A] serious finding regarding the school's substantial breach of its fiduciary duty; specifically that the University of Phoenix (UOP) systematically engages in actions designed to mislead the Department of Education and to evade detection of its improper incentive compensation system for those involved in its recruiting activities." (U.S. Department of Education Program Review Report, February 5, 2004, PRCN 200340922254) In the report, the Department unearthed a recruiting strat-

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[3] An October 30, 2002 memo to the Chief Operating Officer of the Federal Student Aid from Deputy Secretary William D. Hansen directing that violations of the incentive compensation ban are punishable by fines, rather than return of title IV funds, stated, "I have concluded that the preferable approach is to view a violation of the incentive compensation prohibition as not resulting in monetary loss to the Department. . . . Improper recruiting does not render a recruited student ineligible to receive student aid funds for attendance at the institution on whose behalf recruiting is conducted." This approach fails to take into account the monetary loss to the Department incurred by student loan defaults which are likely to occur whether there is "documented misrepresentation," as the memo suggests, or simple obfuscation of the terms of enrollment or repayment of financial obligations.

egy, operating in plain view, designed to deceive the Department of Education. The Department's report found that the admission compensation structure at Phoenix was exclusively based on success in enrolling students, that methods for enforcing quotas on admission officers included a high-pressure "red room" strategy, and that the mantra for recruiters was to get "asses in classes."

Taken together, the pattern of non-compliance with statute appears to take place in a systematic fashion, in nearly complete disregard to the statute and the principles it embodies.

THE RECURRING NATURE OF CONGRESSIONAL OVERSIGHT ON INCENTIVE COMPENSATION

The detrimental effect of unethical recruiting is a recurring theme in the history of the Federal financial aid programs. For purposes of this committee hearing, we believe it is important to note that Congress seems compelled to revisit program integrity issues—particularly recruitment practices—on a regular basis.

> We presently have under consideration—and expect to forward to Congress soon—proposed statutory language which, if enacted, would (among other points) strengthen the Office's ability to review the performance of institutions relative to student aid programs. The proposed language would also provide for establishment of appropriate guidelines for institutional financial responsibility and the maintenance of student records, **compliance with ethical standards for advertisement and recruitment of students**, provision for fair and equitable tuition refund policies, and public disclosure of institutional performance statistics. (*emphasis added*)—*Excerpted from the Statement by the Honorable T. H. Bell*, U.S. Commissioner of Education before the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations, November 20, 1975.

Recognition of the information asymmetry between colleges and students was also central to the recommendations of the Nunn Commission, whose 1991 *report* led to the enactment of additional laws and regulations to protect against waste, fraud and abuse in the Federal student aid system.

> One of the most widely abused areas of those observed during the Subcommittee's investigation lies in admissions and recruitment practices. Among these practices three stand out in terms of the adverse effects they generate: false and/or misleading advertising; unethical and/or illegal recruitment efforts; and, falsification of information use to satisfy GSLP ability-to-benefit requirements.—*Excerpted from "Abuses in Federal Student Aid Programs,"* Permanent Subcommittee on Investigations, Senate Committee on Government Affairs, May 17, 1991.

CONCLUSION

Despite the ostensible goal of "clarifying" statute, the regulatory safe harbors promulgated in 2002 appear to have effectively gutted the incentive compensation ban contained in the Higher Education Act. As history has shown, there is a clear case for regulating against "commissioned sales" in admission. The Department of Education's recent Notice of Proposed Rule Making (NPRM) would eliminate the safe harbors and restore the Federal Government's protection against this persistently troublesome practice. The two major associations that represent college admission officers in the United States, NACAC and the American Association of Collegiate Registrars and Admission Officers (AACRAO), are supportive of the Department's regulatory language on incentive compensation.

NACAC considers the commitment to professional admission practice as an ethical imperative that serves student interests. We consider the additional commitment to upholding Federal law a logical extension of the ethical imperative, as well as necessary obligation to protect taxpayers who underwrite the aid system that offers access to the full diversity of postsecondary institutions.

We appreciate the committee's attention to this matter, and will offer further information as needed.

ATTACHMENT 1.—STATEMENT ON THE COUNSELING DIMENSION OF THE ADMISSION PROCESS AT THE COLLEGE/UNIVERSITY LEVEL

The National Association for College Admission Counseling (NACAC) has long been an advocate of the counseling dimension of the college admission process. The Association was founded in 1937 to establish a code of ethics that would guide colleges and universities in their relationships with students and secondary school counselors and, concomitantly, to promote the interests of students over those of institutions.

As the door to higher education opened wider and greater numbers of students were encouraged to seek admission, there developed a need to help students understand the differences among the variety of institutions and the array of educational programs available to them. It also became necessary to determine the quality of students' secondary school preparation and to direct them to programs of study that would enable them to continue to grow both personally and academically.

Because of the increased diversity of the American system of postsecondary education, the need continues today for helpful guidance to assist students in making decisions to best meet their individual needs among the full range of postsecondary choices. In addition, the cost of higher education today and the heightened concern regarding families' ability to pay for it place a high demand on the need for accurate, timely financial aid and planning information. Such guidance and counseling must come from both the secondary school counselor and college admission counselor.

While the traditional college-going population remained stable in recent years and the predictions of dramatically declining numbers remained largely unrealized, we are now beginning to experience real demographic shifts in the population that may have a significant influence on college and university enrollment in the coming years. Increased recruitment efforts, the introduction of marketing concepts and the trend toward enrollment management have led to the perception, real or imagined, that recruitment and marketing techniques are taking the place of counseling. It has been suggested that while encouraging the optimum fit between student and institution was once considered important, what counts most today is using any means possible to attract students to meet enrollment and economic targets.

NACAC stands firm in its position that counseling has been and continues to be an essential, if not the most essential, ingredient in the college admission process. The development of human resources and the assurance that each student will be helped to realize his/her educational potential can only strengthen and perpetuate the strong democracy we so proudly enjoy—the democracy that, in turn, encourages and supports our diverse educational system.

NACAC believes that precollege guidance and counseling is a developmental process that begins early in the educational experience and continues through secondary school and on into college. College admission counselors stand with school counselors at the juncture between secondary and postsecondary education and together they play a pivotal role in helping to ease students' transition from one level to the next. We also believe in the dignity and worth of every human being and in the right to develop their full potential. Counseling individual students about postsecondary plans and during the school to college transition is a fundamental aspect of the admission process of institutions of higher learning.

THE COLLEGE ADMISSION COUNSELING INITIATIVE

The foundation for counseling students for college admission is the emphasis on meeting students' needs.

This perspective assumes the availability of individual and group counseling aimed at helping students understand their personal aptitudes, abilities, interests, and values in relation to the offerings of a particular college or university. Appropriate counseling interventions can occur during college day/night programs, college fairs, interview sessions, campus tours, and student/parent information sessions on campus.

Institutions that promote a counseling perspective provide assurance that the admission staff includes trained professionals with appropriate counseling and related skills, and there is a willingness to assume responsibility for all institutional personnel who may become involved in the process of counseling students for admission (e.g., alumni, coaches, faculty, and students on campus). Further, effective linkages with secondary schools, community agencies, other campus student services offices, and the college faculty are developed and lead to open communication, understanding, and cooperation. Such programs are also characterized by the following:

- A clearly defined institutional mission, including written goals and objectives of the admission program, and an evaluation component that seeks to understand what is being done and that serves as a basis for major institutional decisions.
- Availability of clear, accurate information about the institution, including admission requirements, educational programs, costs and financial assistance that will enable students to reach sound decisions.
- Emphasis on equity and accessibility and a commitment to the needs of underrepresented students. This assumes the presence of positive attitudes that promote

student development regardless of race, sex, or disability and support the inclusion of role models among the staff and faculty who reflect these characteristics.

- Delivery of services according to ethical practices developed by NACAC and other similar education groups.
- Referral of students to other institutions when it is determined that students' needs can be better met elsewhere.
- Emphasis on student retention, including the existence of adequate academic and other support services to insure the success of admitted students.
- A supportive administration and campus environment that promotes student growth and development.

NACAC encourages all collegiate institutions to review their admission programs from this perspective. The entire process is predicated on the ability of professionals to relate to and respond to student needs. This is done in collaboration with other counselors and educators who share these beliefs and place the highest value on student development and the realization of student potential.

ATTACHMENT 2.—EVIDENCE OF INCENTIVE COMPENSATION BAN VIOLATIONS

Recent evidence suggests widespread disregard for the Federal ban on incentive compensation by institutions participating in Federal student aid programs, putting students and taxpayers at risk. In a time of tight budgets, safeguarding the integrity of student aid funds should be the top priority for Congress and the Administration to ensure the most efficient and effective use of taxpayer funds for student aid.

GOVERNMENT ACCOUNTABILITY OFFICE REPORTS

- Higher Education: Information on Incentive Compensation Violations Substantiated by the U.S. Department of Education. GAO–10–370R, February 23, 2010.
- Proprietary Schools: Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid. GAO–09–600, October 14, 2009.

FEDERAL INVESTIGATIONS

- On January 17, 2008, an Assistant U.S. Attorney in the Civil Division of the U.S. Attorney's Office for the Eastern District of Pennsylvania contacted Kaplan Higher Education Division's CHI-Broomall campus and made inquiries about the Surgical Technology program, including the program's eligibility for title IV Federal financial aid, the program's student loan defaults, licensing and accreditation. The inquiry is presently proceeding on an "informal, voluntary basis." (Kaplan Inc., SEC Form 10-K, Filed 2008)
- The Technical Career Institute has been found to have improperly paid $440,487 to FFEL lenders to reduce the institutions cohort default rate in order to continue to participate in the FFEL and Direct Loan programs. To avoid listing students as defaulting on their loans, TCI returned all student funds to FFEL lenders then proceeded to collect debt directly from students with stricter terms than those under FFEL loans. (United States Department of Education, Office of Inspector General, Final Audit Report, *Technical Career Institutes, Inc.'s Administration of the Federal Pell grant and Federal Family Education Loan Programs*, May 19, 2008)
- The University of Phoenix paid $9.8 million to settle an investigation by the Department of Education into recruiting practices that violate the ban on "commissioned sales" of admissions. The Department found that Phoenix "bases [recruiters'] salaries solely on the number of students they enroll." According to testimony in a later lawsuit by the former CFO, UOP had held back this report because of the fear of negative news coverage. (U.S. Department of Education, Program Review Report, PRCN 200340922254, 2004, *Inside Higher Ed*, January 17, 2008)
- The Securities and Exchange Commission has launched an informal inquiry into stock-option granting practices at Corinthian Colleges, Inc., the company announced. (Yahoo! Finance News, August 18, 2006)
- Apollo Group, Inc., was notified in June 2006 that the Securities and Exchange Commission was conducting an informal investigation relating to the company's stock option grants. (APOL Form NT 10-Q, Filed July 10, 2006, p. 2)
- The U.S. Department of Education New York Regional Office (NYRO) has determined that Interboro, through its parent company to EVCI Career Colleges Holding Corporation, must reimburse the DOE as a result of the program review pointing to failure to correctly follow the procedures of the Ability to Benefit admission exams (ABT) regarding some 79 graduates and liability for TAP grants received by these students. Also, NYRO has indicated it is referring the program review to the responsible division in DOE for possible administrative action against Interboro in-

cluding suspension, fines or termination. Interboro closed on December 21, 2007, due to comply with the New York Board of Regents regulations regarding ABT. (Press Release from EVCI Career Colleges, December 17, 2007)

- Federal officials raided the National School of Technology in Miami and two campuses of Florida Career College in October 2007. Although the Department of Education would not comment on the substance of the investigation, media reports noted that 90 percent of National School of Technology's students are paying for their education with some sort of loan. The school's student loan default rates reached almost 49 percent in 1989 but stands at 12.7 percent in 2005, according to the Federal Government. (*The Sun-Sentinel*, October 17, 2007)
- Corinthian Colleges ordered to repay $776,241 to the Department of Education for violations of student aid procedures at Bryman College (CA). (*Chronicle of Higher Education*, May 16, 2005)
- The U.S. Department of Education's OIG found that seven institutions, working with the Apollo Group's Institute for Professional Development, violated the Higher Education Act ban on "commissioned sales" of admissions from 1999–2001, resulting in the OIG's recommendation that more than $70 million in Federal funds be returned. (OIG Semiannual reports to Congress, 2002–3)
- The National Consumer Law Center found that in 2003, the Department of Education's Office of Inspector General (OIG) made public seven audits documenting serious fraud and abuse in school administration of Federal student aid programs. In decisions that required the return of more than $18 million in Federal student aid, the Department found widespread evidence of the following: (1) Schools closing without warning; (2) Routine fabrication of financial aid documents; (3) Falsification of ability-to-benefit tests; (4) Failure to comply with the 90/10 rule; (5) Overstating program length; (6) Disbursement of funds to ineligible students.

STATE INVESTIGATIONS

- Career Education Corporation (CEC) was forced to pay $200,000 to the State of Pennsylvania after the Attorney General reached an Assurance of Voluntary Compliance with the Lehigh Valley College (LVC) operated by a subsidiary of CEC, Allentown Business School after a State-led investigation. The investigation finds LVC guilty of violating the Consumer Protection Law by failing to provide explanation and individual attention as promised to students regarding financial aid repayment guidelines and interest rates, using quotas for enrollment as well as incentive-based compensation for admission counselors and steering students towards one lender. The suit also finds that the students were misled in regards to post-graduation employment, compensation and transferability of credits to other institutions. (Assurance of Voluntary Compliance settlement, Court of Common Pleas for Lehigh County, PA, February 20, 2008)
- The Florida Attorney General's Office has settled with Florida Metropolitan University, a for-profit school that was accused of misrepresenting transfer value of credits to former students. Under the $99,900 agreement, FMU (which changed its name on November 5, 2007 to Everest University) says it will maintain a "transfer center" and work out transfer agreements with other colleges and universities. Even though no wrong doing was admitted, the settlement touched on the students' main complaint that they were not clearly told by school officials that credits earned may not be accepted at other schools. There are still over 100 pending lawsuits by former FMU students. (*St. Petersburg Times*, November 5, 2007)
- Texas Attorney General filed suit under the Texas Deceptive Trade Practices Act against Kaplan Higher Education Corp. which operates Career Centers of Texas alleging that the "electricians" program being offered by this school misled students. Allegedly, the school was claiming in market and recruitment material that the students could obtain a full license to conduct a range of resident and commercial electrical work with a 900 hour course for a fee of $10,000.00. Texas claims, however, that this program is not at all in line with the actual regulations to get an electricians license which requires testing under the Texas Electrical Safety and Licensing Act and a specified number of hours of on-the-job training with a licensed electrician rather than coursework at a college. The court asks to halt the misleading promotion, refund tuition paid by the students who were misled and request civil penalties of $20,000.00 per violation of the law. (Attorney General of Texas press release, October 16, 2006)
- The New York State Education Department ordered Taylor Business Institute, a commercial 2-year business college, to close as of January 2007. The school was highly criticized for its poor curriculum, absence of leadership, high staff turnover, and high attrition rate of 80 percent. The Department also mentioned that more

than 90 percent of students at Taylor had never received a high school degree. (*New York Times*, September 28, 2006)

• The Florida Attorney General's Office widened its investigation of Florida Metropolitan University in June 2006, seeking school records involving job-placement rates, grading, instructor qualifications, financial aid and course prices. The AG Office had announced in November 2005 that it was investigating FMU, owned by Corinthian Colleges, over the company's "advertising and marketing practices." At that time, the Florida AG subpoenaed documents from the last 5 years related to advertisements, training of FMU admissions officers, complaints, compensation and identity of admission representatives, and other documents. (*Tampa Bay Business Journal*, November 22, 2005; *Wall Street Journal* Online, June 22, 2006)

• In June 2006, California legislators considered a bill that would require for-profit institutions to report graduation and job-placement rates to the State. This bill was introduced after activists argued that weak reporting rules give for-profit colleges an open door for false advertising practices. The reporting bill, however, was amended so that it will merely establish a working group on the issue. This legislation follows an earlier law, the Private Postsecondary and Educational Reform Act, that required non-Western Association of Schools and Colleges accredited institutions to report program data to the California Bureau for Private Postsecondary and Vocational Education. A law passed in 2003, however, weakened that act by exempting regionally accredited institutions. (*Inside Higher Education*, June 22, 2006)

• In New York, investigations into for-profit college activities led to a moratorium on the establishment of new programs by for-profit colleges while policymakers examined ways in which rules protect against fraud and abuse. The New York State Board of Regents has approved new regulations on for-profit institutions, including a transition period before new for-profit colleges are authorized to award degrees and a requirement that institutions enact stronger and more transparent admissions policies. (*Inside Higher Education*, May 24, 2006)

• Kentucky's Attorney General has asked a court to strip Decker College, a for-profit institution, of its charter, thus prohibiting it from doing business in Kentucky. Investigations by Kentucky officials revealed widespread fraud and abuse, forcing the institution to close temporarily. The investigation and court procedures in this case are ongoing. (*Louisville Courier-Journal*, November 5, 2005)

• The New Jersey Department of Labor and Workforce Development issued a letter to the Sanford Brown Institute-Iselin, owned by Career Education Corporation, expressing concerns regarding allegations against SBI-Iselin raised in the January 2005 CBS News *60 Minutes* report on for-profit colleges. DLWD requested that the school provide justification for continued operation of the school in light of the allegations raised in the report. SBI-Iselin submitted a written explanation in July 2005, and school administration met with DLWD officials in September 2005. At this meeting, SBI-Iselin received confirmation that it could continue with the submission of its license application, a process which had been delayed by DLWD. (CECO SEC Form 10-Q, Filed November 2, 2005, p. 20)

• In January 2003, the New York State Comptroller's Office began an audit of DeVry New York's compliance with the New York State Tuition Assistance Program grant ("TAP") requirements for the 3-year period ending June 2002. Fieldwork was completed in June 2003 and a preliminary report was issued in July 2003. The Company responded to the preliminary report, disagreeing with some of the findings in the report. Subsequently, the Company received an amended report and responded again. In the first quarter of fiscal 2005, the Company received the final report and determination of disallowance that resulted in financial liability to the Company. The final liability was in an amount for which the Company had previously accrued. The Company has remitted the required claim of disallowance and the matter is now closed. (DeVry, Inc., SEC Form 10-Q, Filed May 11, 2005, p. 35)

• The Washington State Higher Education Coordinating Board required the Business Career Training Institute (BCTI) to repay $63,000 in State need grants for low-income students after the school admitted falsifying enrollment tests to admit unqualified students. (*Portland Oregonian*, March 15, 2005)

• The Oregon Department of Education placed the Business Career Training Institute (BCTI) on probation after it found that the school was "unfair and deceptive" in how it recruited, admitted, and enrolled students. (*Portland Oregonian*, February 5, 2005) The State found that recruiters were paid on the basis of the number of students enrolled, which is a violation of the Higher Education Act. (OAR–581–045–0061, "Private Career School Agents," February 2005, Oregon Department of Education) BCTI subsequently suspended classes with no warning to students or State administrators. (*Portland Oregonian*, March 15, 2005) The Accrediting Council for Continuing Education and Training revoked the Business Career Training Institute's accreditation on March 15, 2005. In April 2005, the Council barred two BCTI presidents, Tom Jonez and Morrie Pigott, from ever again operating a school accredited by that council. BCTI had closed just days before, on March 11, 2005, after years of allegations of non-compliance with Federal education and auditing regulations and several student lawsuits.

• The California attorney general's office examining allegations of fraud against a number of for-profit institutions, including ITT and Corinthian. (*Chronicle of Higher Education*, October 1, 2004)

MEDIA REPORTS

• In a *Good Housekeeping* report, former students share stories of "stressful" loan debt, feeling "defeated," and program "realit[ies] [that] didn't match the promises" at Sanford-Brown in White Plains, NY (owned by Career Education Corp.); Brown Mackie College in Merrillville, IN; and American Intercontinental University in Los Angeles (owned by Education Management Corp.); respectively. A former president of Sanford-Brown College's Hazelwood, MO campus discussed "unqualified" faculty and meetings about money, never academics. (*Good Housekeeping*, June 2010)

• According to Securities and Exchange Commission filings by Education Management Corporation, attorneys general in Illinois and Oregon are investigating the for-profit college's Art Institute schools for their relationships between the schools and the providers of loans to students at those schools. In addition, a lawsuit against EMC's Argosy University in Texas filed by former students who claim the college misrepresented the importance of its accreditation, the availability of loan repayment options, and the quantity and quality of career options. (*The Milwaukee Wisconsin Journal Sentinel*, May 5, 2010)

• According to a regulatory filing from Corinthian Colleges, Inc., the U.S. Department of Education found that the company's Everest College Phoenix division misrepresented costs and aid eligibility, which the Department called "intentional evasion of the 90/10 requirements," as noted in the SEC filing. (Corinthian Colleges, Inc. SEC Form 10-Q, Filed March 31, 2010, p. 22; *Associated Press*, May 4, 2010)

• *Bloomberg News Service* reported that Drake College of Business recruits at homeless shelters and 5 percent of students at its Newark, NJ campus is homeless. In 2008, the college began offering a biweekly stipend of $350 to students who attended at least 80 percent of classes and maintained a C average. A case manager at a Newark rescue mission, from which 20 clients over 2 years enrolled at Drake, told *Bloomberg*, "It's basically known in the community: If you're homeless, and you need some money, go to Drake." The Accrediting Council for Independent Colleges & Schools reportedly opened an investigation of Drake's recruitment tactics, which could lead to the revoking of its accreditation making it ineligible for title IV aid. According to the report, Cleveland's Chancellor University and University of Phoenix also recruit at homeless shelters; this practice helps Phoenix recruiters meet their enrollment quota of five students per month. (*Bloomberg News Service*, April 30, 2010)

• The *St. Petersburg Times* revealed that for-profit companies are working to keep taxpayer dollars flowing to their revenues by opposing proposed regulations by the U.S. Department of Education that would tie student debt to future income. The Career College Association, the for-profit education group, has donated over $150,000 to congressional candidates and parties in just this 2010 election cycle; only Harvard and Stanford have donated more. Arthur Keiser, owner Keiser Career Colleges and Keiser University, has donated more than $66,000 to congressional candidates since 2009, making him one of the top 12 donors nationwide. (*St. Petersburg Times*, April 11, 2010)

• In a complaint filed in Maricopa County Court, a former Grand Canyon University enrollment counselor seeks punitive damages for being fired for refusal to "call and threaten" a prospective student regarding a $100 non-existent application fee, to shred records of calls to members of the Do Not Call registry daily, and to use sales scripts copyrighted by the University of Phoenix. (*Courthouse News Service*, April 9, 2010)

• Ohio State Representative Clayton Luckie (D-Dayton) called for an investigation of Miami-Jacobs Career College saying he will hold hearings on the college's practices and propose legislation requiring companies notify students of accreditation during the admission process. Miami-Jacobs has been accused of not meeting accreditation standards and was sued by its students in 2008 for claiming accreditation that did not exist. (*Dayton Daily News*, April 9, 2010)

• A report from *Smart Money* pointed out that Education Connection, with its enticing television commercials, sells names and contact information of potential students to a select group of for-profit education companies and non-profit postsecondary education institutions. The article reveals that schools then call students directly or hire a third party referral business with a call center and that this recruiting process is much like "dialing-for-dollars" with companies making hundreds or thousands of calls per day. (*Smart Money*, April 7, 2010)

• In a report from the *Sun Sentinel*, a consumer alert urges prospective students to do research before enrolling in for-profit education. The report notes that costs for associate degrees can exceed $30,000 leaving students with loan debt and possibly a diploma that future employers and potential transfer institutions of higher education do not recognize. (*Sun Sentinal*, March 29, 2010)

• *The New York Times* featured a front-page article about a beneficiary of this economic recession: for-profit higher education companies. The article revealed that some companies require students to borrow for tuition that can exceed $30,000 per year. Also noted is that upon program completion, many students have acquired unmanageable debt and little training for gainful employment. (*The New York Times*, March 13, 2010)

• After ITT Educational Services, Inc. purchased Daniel Webster College in June 2010 for $20.8 million, *Bloomberg News Service* revealed how the company obtained accreditation it would not have earned itself. "Now [for-profit higher education companies are] taking a new tack in their quest to expand. By exploiting loopholes in government regulation and an accreditation system that wasn't designed to evaluate for-profit takeovers, they're acquiring struggling nonprofit and religious colleges—and their coveted accreditation. Typically, the goal is to transform the schools into online behemoths at taxpayer expense." (*Bloomberg News Service*, March 4, 2010)

• *The Denver Post* discussed the consequences of high tuition costs at for-profit colleges. Twenty-three percent of students attending Colorado for-profit institutions defaulted on their Federal student loans in the first 3 years of repayment; that compares to a 15 percent default rate at Colorado 4-year public colleges. In addition to burdening taxpayers, defaulting on Federal student loans causes ruined credit ratings for students. (*The Denver Post*, January 24, 2010)

• The University of Phoenix has campuses in 29 of the 30 most populated States; one State blocking Phoenix's bid for a campus is New York. A State review team of University of Phoenix's general education courses found that "First-year algebra 'is not a college-level mathematics course' and 'does not demand as high a level of critical thinking as the high school curriculum' in New York. . . . Courses in human nutrition and in environmental issues and ethics lacked basic science, and instructors were unqualified." (*Bloomberg News Service*, January 19, 2010)

• *The Denver Post* notes that for-profit higher education is a business "in which the Federal Government guarantees up to 90 percent of revenue, sales are recession-proof and profit margins regularly run in the double digits." A professor of education who studies for-profit education companies observes that it is easy to generate revenue in this sector: "You have a limited set of courses, a standardized curriculum and a teaching staff of working professionals. Then you recruit like hell. . . . The more enrollments, the more money you make." (*The Denver Post*, January 18, 2010)

• *The Denver Post* reports that along with growth in for-profit education comes an increase in complaints and lawsuits over recruiting practices, levels of debt, and employability. Colorado has received 164 student complaints about for-profit schools in the last 3 years and it has revoked authorizations of two for-profit schools and one for-profit vocational school since September 2009. According to loan data from the U.S. Department of Education, last year Colorado students received $1.6 billion in Federal loans and Pell grants, of which $690 million went to for-profit companies. (*The Denver Post*, January 17, 2010)

• In an article about the recruitment of military personnel by for-profit colleges, *Bloomberg News Service* revealed that for-profit online colleges "are lured by a Defense Department pledge of free schooling up to $4,500 a year for active members of the armed services. . . . Taxpayers picked up $474 million for college tuition for 400,000 active-duty personnel in the year that ended Sept. 30, 2008, more than triple the spending a decade earlier, Defense Department statistics show." One Camp Lejeune director said some schools prey on Marines, calling and emailing them day and night. An executive at a search firm specializing in the placement of military personnel notes that Fortune 500 firms are reluctant to hire service members with degrees from online for-profit companies. (*Bloomberg News Service*, December 15, 2009)

• Apollo Group paid $78.5 million, of which $67.5 million will go to the Federal Government and $11 million will go to plaintiffs, in a whistleblower lawsuit filed by two former employees who said the University of Phoenix paid recruiters based on the number of students they enrolled. (*Bloomberg News Service*, December 14, 2009)

• A report from *The Wall Street Journal* reveals students using Federal student loans to cover costs of for-profit education have a 21 percent default rate in the first 3 years of repayment; about three times the rate of 4-year public and non-profit postsecondary education institutions. (*The Wall Street Journal*, December 14, 2009)

• An *Associated Press* analysis of for-profit colleges reveals that an increasing proportion of Federal student aid dollars are going to the sector. In 2008, the top five institutions receiving the most Pell grants were all for-profit companies. (*USA Today*, November 30, 2009)

• *American Public Media's Marketplace* reported on admission practices experienced by current and former students and former recruiters at the University of Phoenix, exposing abuses in the enrollment process. Three students interviewed experienced hard-sell tactics that included being hounded by for-profit college recruiters. Former recruiters cited deception in the process, including lying about space availability to create urgency and demand, winning a prospective student's trust through lengthy personal phone calls, and claiming regional accreditation. (*American Public Media's Marketplace*, November 4, 2009)

• In a report about featuring statements from current and former University of Phoenix students, *American Public Media's Marketplace* notes that recruiters are paid based on the number of students they enroll, which can create a deceptive and high-pressure admission process. Students cite receiving loans without their knowledge and attending courses that provide no valuable training. (*American Public Media's Marketplace*, November 3, 2009)

• After the U.S. Department of Education's regulatory investigators cited the University of Phoenix with enrollment abuses in 2004, the Apollo Group paid nearly $10 million to resolve the allegations. However, some of Phoenix's recruiters still use high-pressure and deceptive tactics, according to current and former students and former recruiters interviewed by *ProPublica* and *American Public Media's Marketplace*. Recruiters disclosed they were required to display what they felt to be high-pressure sales tactics and misleading techniques. Students shared they were deceived about the transferability of credits and types of financial aid such as receiving loans after being promised grants and scholarships. (*ProPublica*, November 3, 2009)

• Thirteen students brought a suit against Corinthian Colleges Inc. alleging Corinthian, Rhodes, and Everest Colleges in Dallas, Fort Worth, and Arlington, TX did not deliver on promises made during the recruitment process and are focused only on revenue. Students say advertising claims about job placement rates and the transferability of credits to other colleges were false. (*NBC Dallas-Fort Worth*, August, 28, 2009)

• In Atlanta, a lawsuit alleges American InterContinental University enrolled students who were unable to read and lacked a high school diploma and that it fraudulently attained accreditation. In addition, the college also rewarded recruiters with bonuses based solely on the numbers of students they enrolled. (*The Atlanta Journal-Constitution*, August 24, 2009)

• A wrongful termination lawsuit against the University of Phoenix revealed evidence of the continuing use of recruiting practices in violation of the incentive compensation prohibition. Although the university claims to use an intricate system for evaluating recruiters taking into account enrollment numbers, but not solely using these numbers as a measure of performance, several documents surfaced suggesting that enrollment numbers were the key factor in determining job performance. A recruiter received credit for an enrolled student only if that student attended at least three classes or 3 weeks. In addition, failure to meet certain quotas set for a month would result in decreases in salary and possibly termination. (New America Foundation, February 19, 2009)

• In an article dated July 14, 2007, *The Kansas City Star* pointed to many struggles University of Phoenix is having regarding increasing its profits. Among the quotes, Trace Urdan, a senior analyst with the investment bank Signal Hill, says that the parent company, Apollo, is sending a message that they are "chasing after growth for growth's sake" in order to increase their stock value. (*The Kansas City Star*, July 14, 2007)

• In interviews with both former admission officers and students, *San Francisco Weekly* pointed out the deceptive practices of the California Culinary Academy (CCA) since Career Education Corporation took ownership of the school in 1999. These anonymous former admission officers tell the paper that they would tell the applicants anything they needed to hear to sign on the dotted line and admits anyone eligible for a student loan and a pulse. The students said that they were misled with high placement rates and unattainable salaries in the application material and conversations with admission officers. (*San Francisco Weekly*, June 6, 2007)

• In early February 2007, the *New York Times* ran a story chronicling the latest troubles for the University of Phoenix. According to the article, current and former students of the university both online and on campuses in Arizona, California, Colorado, Florida, Michigan, Texas, and Washington have complained of recruiting abuses, unqualified professors, and low academic standards. The university's stock fell greatly at the end of 2006 amidst resignations of top officials at Apollo Group. The article mentions a 16 percent graduation rate among all Phoenix students, and 4 percent rate among online students. About 95 percent of Phoenix instructors are part-time. (*New York Times*, February 11, 2007).

• Lehigh Valley College, owned by Career Education Corporation, is reported to have practiced illegal recruiting, enrollment, and grade reporting in Pennsylvania. Five complaints were submitted to the Pennsylvania Department of Education, which did not act on the complaints as they were "out of its purview." (Allentown *Morning Call*, April 25, 2005)

• *60 Minutes*' report resulted in a hearing of the House Education & Workforce Committee on March 1, 2005, during which evidence of continued improprieties were provided by a former admission officer at one of Career Education Corporation's campuses.

• In Oregon, former employees of American InterContinental University Online (owned by Career Education Corporation) described the institutions "admission" tactics as little more than "high pressure sales," as recruiters were dogged by supervisors with constantly escalating enrollment targets, misleading sales scripts, and the belief that managers wanted enrollees regardless of their ability to pay tuition. (*Portland Oregonian*, February 20, 2005)

• CBS News reported that recruiters for Career Education Corporation's (CEC) Brooks College employed high pressure sales tactics, and were expected to meet quotas of enrolled students. At other CEC campuses, reporters revealed that recruiters admitted clearly unqualified students, presumably to meet sales quotas. (*60 Minutes*, January 30, 2005)

LAWSUITS

• In a Federal lawsuit against Education Management Corp., a former employee of South University Online cites he observed violations of title IV Federal statute and regulations: paying salaries based on the number of students recruiters signed up for courses; submitting fake proctor forms for ability to benefit tests; allowing students to take ability to benefit tests repeatedly until they passed; and offering free trips, iPods, and gift cards to representatives who enroll the highest number of students. (The United States District Court Western Pennsylvania. *Brian T. Buchanan* vs. *Education Management Corp*., Filed July 2007; *Pittsburgh Tribune-Review*, May 7, 2010)

• In a lawsuit against ITT Educational Services, Inc., a plaintiff who was hired as director of ITT's Lathrop, CA campus cites he observed violations of State and Federal laws and regulations to benefit from Federal subsidized financial aid: staff changing failing scores to passing scores on placement tests, staff inflating and altering attendance records and grades, inaccurate job placement figures, and recruiters being compensated based on the number of students they convinced to enroll. In addition, he observed staff alter and destroy files required to be maintained by State and Federal law. (The United States District Court Southern District of Indiana. *Jason Halasa* vs. *ITT Educational Services, Inc.* Filed April 15, 2010)

• A class action suit was filed against Apollo Group Inc. and The University of Phoenix alleging that they artificially deflated their cohort default rates in order to remain eligible for title IV funds. By returning students' Federal loan money to lenders once they had withdrawn from classes during the first term, UOP avoided listing these students as defaulting on their loans. UOP then proceeded to collect the debt directly from the students under more rigid terms, devoid of a 6-month grace period and low interest rates, than those agreed upon between the student and the original lender resulting in debt being passed on to collection agencies and adversely affecting students' credit. (The U.S. District Court Eastern District of Arkansas. *Shawn Martin*, *Angela Russ* and *Nitisha Ingram* vs. *Apollo Group, Inc.* and *University of Phoenix.* Filed December 9, 2008)

• Three former academic officers at Kaplan University have filed a wide-ranging lawsuit alleging the for-profit institution of defrauding the U.S. Government of more than $4 billion. The lawsuit alleges that Kaplan enrolled unqualified students, inflated their grades so they could stay enrolled and falsified documents for accreditation purposes. They also accuse the company of paying its own employees to enroll in classes so they meet the requirement of 10 percent of revenue coming from sources other than Federal loans and grants. In addition, the complaint also accuses

Kaplan of providing incentives to its college recruiters based on the number of students they enroll, in violation of Federal regulations. (*The Chronicle of Higher Education*, March 13, 2008)

• The Apollo Group was forced to pay an estimated $277.5 million to shareholders who sued for securities fraud alleging that the company officials withheld a harshly critical U.S. Department of Education report in February 2004 that accused the company of violating a Federal prohibition against paying recruiters based on the number of students they enrolled. Former CFO Kenda Gonzalez, also a defendant in the case, admitted in testimony that they did hold the report back out of fear of negative news coverage. (*Inside Higher Ed*, January 17, 2008)

• A class action suit was filed against Career Education Corporation alleging that their California Culinary Academy misrepresented that its admissions were selective, its program elite and its degree prestigious. Also, alleging CCA was erroneously saying that upon graduation well-paying jobs would be waiting and students' education loans would be readily repayable. The plaintiffs allege that none of this information was true when they were informed of it or even when they went to look for jobs. They also seek to prove that CEC, or CCA, accepted undisclosed benefits from lenders to place students in loans that exceed market rates. (*Chronicle of Higher Education*, October 1, 2007)

• In December 2005, former students commenced a putative class action against DeVry University and DeVry Inc. ("Defendants") in Los Angeles Superior Court, alleging that the defendants failed to comply with disclosure requirements under California Education Code relating to the transferability of academic units earned. This case was settled in 2007. (DeVry, Inc., SEC Form 10-K, Filed August 24, 2007, p. 36)

• Chubb Institute, a chain of career schools owned by High Tech Institute, has lost its accreditation in Chicago by the Accrediting Council for Continuing Education and Training (ACCET) and is being sued by former students in New Jersey and Pennsylvania alleging they misrepresented job placement figures. A branch of Chubb is also closing in Virginia due to financial problems due to alleged mismanagement and an unresponsive administration. The ACCET claims the Chicago school did not have "required prerequisite courses" and instructors adjusted test scores by deleting questions that were not covered so that most students in the class had an "A". (*The Washington Post*, August 13, 2007)

• Corinthian Colleges, a large vocational school chain based in California, has agreed to pay $6.5 million to settle a lawsuit alleging they engaged in unlawful business practices by exaggerating their record of placing students in well-paying jobs and forcing their recruiters to meet a pre-set quota of new enrollments. (*LA Times*, August 1, 2007)

• Oakland City University, a nonprofit college in Indiana, agreed to pay $5.3 million to settle a complaint by a whistle blower that maintained the institution offered improper incentives to student recruiters. The former admissions director at Oakland City claimed that he and others were paid in commissions and bonuses based on their ability to enroll students. (*Chronicle of Higher Education*, July 31, 2007)

• An insurance company for the Business Computer Training Institute, which closed in July amidst allegations of Federal student-loan fraud and other improper practices, has agreed to pay $9 million to former students in a class action lawsuit. The students had accused the institute of fraud, breach of contract, and of breaking Washington State's consumer-protection laws. The settlement could benefit as many as 28,000 students, and negotiations were underway for a second settlement in the amount of $55 million. (*Chronicle of Higher Education*, May 14, 2007)

• On September 6, 2006, the Ninth U.S. Circuit Court of Appeals reinstated a lawsuit against the University of Phoenix that alleges the institution obtained Federal funds under false pretenses by paying recruiters on the basis of how many students they enrolled. The case, brought against the University of Phoenix by two former recruiters, was dismissed by a U.S. District Court in California in 2004. (*Chronicle of Higher Education* and *Inside Higher Education*, September 6, 2006) In May 2007, The U.S. Supreme Court declined a request from University of Phoenix to intervene in this lawsuit, letting the lawsuit proceed despite the institution's objections. (*Chronicle of Higher Education*, May 4, 2007)

• On August 25, 2005, a class action was filed against Career Education Corporation (CEC) through its subsidiaries by eight former students allege that defendants made fraudulent misrepresentations and violated the Missouri Merchandising Practices Act by misrepresenting or failing to disclose, among other things, details regarding instructors' experience or preparedness, estimates for starting salaries of graduates and curriculum, that credits earned were transferable at Sanford-Brown College (subsidiary of CEC). The plaintiffs also allege that admissions representatives had sales quotas for enrolling new students, directly in opposition to the Higher Education Act. The plaintiffs, through the complaint, accuse the defendants of failing to provide the promised instruction, training and placement services. This matter has been settled as of May 2007. (Career Education Corporation, SEC Form 10-Q, Filed May 3, 2007)

- On March 21, 2005, a class action complaint was filed in the Superior Court for the State of California against Brooks College, a school owned by Career Education Corporation. The complaint alleges that the college violated California Business and Professions Code and Consumer Legal Remedies Act by allegedly misleading potential students regarding the admission criteria, transferability of credits and retention and placement statistics as well as engaging in false and misleading advertising. (Career Education Corporation, SEC Form 10-K, Filed May 3, 2007)
- Former students of the Sanford-Brown Institute in Landover, MD issued a complaint in March 2006 alleging that SBI broke the Maryland consumer fraud act by "misrepresenting or failing to disclose," among other things, details regarding instructors' experience or preparedness, availability of clinical externship assignments, and estimates for the dates upon which the plaintiffs would receive their certificates. The complaint also states the institution failed to provide promised instruction, training, externships and placement services. (Career Education Corporation, SEC Filing 10-Q Form, November 7, 2006, p. 76)
- A class action lawsuit has been filed by Kahn Gauthier Swick, LLC in the U.S. District Court for the District of Arizona on behalf of shareholders who acquired Apollo Group stock and securities between November 28, 2001 and October 18, 2006. The suit charges violations of Federal securities laws, including backdating of stock options.
- The University of Phoenix has been sued by the Equal Employment Opportunity Commission for employment discrimination. The EEOC charged the University of Phoenix preferred hiring admission counselors who belonged to the Church of Jesus Christ of Latter-day Saints over those who did not. The suit was filed on behalf of four current or former non-Mormon University of Phoenix enrollment officers. It alleges that after these four men complained internally, the University of Phoenix transferred all of them and terminated one of them. The suit was filed as a class action. (*Inside Higher Ed*, September 29, 2006)
- The *Seattle Times* reported in early August 2006 that Crown College of Tacoma would pay over $87,000 to settle claims by six students who alleged the school misled them about whether their credits would transfer to other colleges or universities. The settlement involved the third such lawsuit against the school. In January 2006, Crown College was ordered to pay almost $77,000 in a case that involved a student who said the college had told her she could transfer her credits to Gonzaga University. (*Seattle Times*, August 5, 2006)
- On July 21, 2006, a class-action securities fraud complaint was filed in Federal District Court in the Southern District of New York against EVCI Career Colleges Holding Corporation, parent of Interboro Institute. The complaint alleged that the company had cheated in determining whether students were eligible for Federal and State financial aid and had fired employees for failing to meet enrollment quotas. The complaint indicated that unethical practices at the corporation went even further than those outlined in a 2005 NY State Education Department investigation. (*New York Times*, July 24, 2006)
- A group of students have filed suit against the ECPI College of Technology in Greenville, SC, alleging that the school is a "fraud and a sham," and alleging that training at the school is "severely deficient." (*Greenville News*, August 11, 2005)
- A wrongful termination suit by a former professor and "educator of the year" at American InterContinental University (AICU) against Career Education Corporation in Los Angeles indicates that fraudulent enrollment practices enabled that institution to receive Federal student aid funds. According to the lawsuit, AICU enrolled clearly unqualified students, enrolled "imaginary" students, falsely advertised job placement rates, and falsified reports to sustain enrollments. (*New York Times*, May 15, 2005)
- In January 2002, a graduate of one of DeVry University's Los Angeles-area campuses filed a class-action complaint on behalf of all students enrolled in the post-baccalaureate degree program in Information Technology. The suit alleges that the program offered by DeVry did not conform to the program as it was presented in the advertising and other marketing materials. In March 2003, the complaint was dismissed by the court with limited right to amend and re-file. The complaint was subsequently amended and re-filed. During the first quarter of the Company's fiscal year 2004, a new complaint was filed by another plaintiff with the same general allegations and by the same plaintiff's attorneys. Discovery continues but there is no determinable date at which this matter may be brought to conclusion. (DeVry, Inc., SEC Form 10-Q, Filed May 11, 2005, p. 25)

• In November 2000, three graduates of one of DeVry University's Chicago-area campuses filed a class-action complaint that alleges DeVry graduates do not have appropriate skills for employability in the computer information systems field. The complaint was subsequently dismissed by the court, but was amended and re-filed, this time including a then-current student from a second Chicago-area campus. Discovery continues but there is no determinable date at which this matter may be brought to conclusion. The Company has accrued $0.5 million representing the estimated minimum amount to resolve the two class-action claims. (DeVry, Inc., SEC Form 10-Q, Filed May 11, 2005, p. 25)

• Institutions owned by Corinthian Colleges and Career Education Corporation face lawsuits across the country from current and former students. Lawsuits present allegations of "systemic deceptive trade practices," including: (1) Falsification of grades to maintain enrollment; (2) Misleading information about transferability of credit; (3) Illegal recruiting and compensation practices (*Chronicle of Higher Education*, October 1, 2004; *Miami Herald*, March 11, 2005; Tacoma *News-Tribune*, April 12, 2005)

• Shareholders of ITT and Career Education Corporation are attempting to file class action suits against the companies for allegedly using misleading financial information to artificially inflate the value of their stock. (*Chronicle of Higher Education*, October 1, 2004)

OTHER

• Career Education Corporation's American InterContinental University was recently placed on a 1-year probation by its accrediting agency, the Southern Association of Colleges and Schools. If AIU's accreditation is withdrawn, students attending would no longer be able to receive Federal financial aid. The latest action has prompted shareholders to again question the commitment to regulatory compliance on the part of the company's governing board. (*Wall Street Journal*, December 12, 2005)

• For-profit college activities in Canada have recently prompted the Canadian legislature to consider legislation tightening rules for private career colleges. Complaints have been submitted by students from across Canada against institutions such as CDI College, owned by Corinthian Colleges. (*Canadian Press* (via Canada.com), November 5, 2005)

The CHAIRMAN. Thank you, Mr. Hawkins. Now Dr. McComis. Dr. McComis, welcome. Please proceed.

STATEMENT OF MICHALE S. McCOMIS, Ed.D., EXECUTIVE DIRECTOR, ACCREDITING COMMISSION OF CAREER SCHOOLS AND COLLEGES, ARLINGTON, VA

Mr. MCCOMIS. Mr. Chairman, members of the committee, thank you for the opportunity to testify. My name is Michale McComis, and I'm the executive director of the Accrediting Commission of Career Schools and Colleges or ACCSC.

Let me state at the outset unequivocally, that any student recruiting or advertising practice that unduly induces students to enroll in an institution is anathema to the mission of the organization that I represent and tarnishes the entire higher education community.

ACCSC works diligently to enforce its standards in the areas being addressed by this hearing, and looks forward to exploring with this committee and Congress how oversight of the student recruitment experience might be strengthened.

The role of accreditation is important as a means to ensure that only the highest level of integrity is injected into the student recruitment and admissions process, and to connect these processes to student achievement outcomes. It is essential to the success of our triad system that accreditors and their Federal and State partners work together to stem any institutional abuses, such as those presented here today.

Unlike their Federal and State partners, accrediting agencies are private, independent entities, focusing on establishing standards and assessing their members and institutions in relation to those standards on a peer review basis.

As such, they are the best resource to make determinations related to educational quality. Institutions eligible for title IV funds must be accredited by an agency recognized by the U.S. Department of Education. And the Higher Education Act creates the rigorous regulatory structure to which all accrediting agencies must adhere.

The Federal regulations require that all agencies, regardless of the types of institutions that they accredit, have and enforce standards in the areas of recruitment, admissions, and advertising. The ACCSC standards of accreditation create a whole school assessment process whereby an institution's operational and education inputs can be evaluated in the context of student achievement outcomes. Each of a school's practices including recruitment, advertising, and admissions can impact its overall success and the success of its students. ACCSC has more than 50 standards that address these areas directly.

Equally important to these standards are our processes to evaluate an institution's compliance. We have a multi-step process, which includes a self evaluation, onsite visits, and determinations of compliance. There's ample evidence that the commission holds its institutions accountable to its standards. In the last 2 years, approximately 8 percent of our findings resulted from site visits pertaining to the areas of recruitment, advertising, and admissions.

Another indicator is provided from analysis of our student surveys. Results from surveys during 69 onsite evaluations between April and May of this year showed very high rate of student satisfaction in areas related to admissions and financial aid processes of their institutions, a rate high enough to support the conclusion that the problems that do exist are not widespread amongst our accredited institutions.

Between accreditation cycles, ACCSC relies on an interim review and a robust complaint process to monitor potential violations of standards. If a student believes that he or she has been misled in the recruitment or admissions process, that student can forward a complaint to the commission for investigation.

Pursuant to Federal regulations, and in keeping with best practices, we review every complaint received for compliance with accreditation standards. The commission has received complaints regarding recruitment and advertising practice, as I outlined in my written testimony. And those complaints are always troubling.

When findings of noncompliance do occur, we are diligent in requiring institutions to take corrective action. And when none occurs, we take adverse action. ACCSC has a number of actions at its disposal to ensure compliance with the standards ranging from reporting to revocation. And the commission can provide examples of when it has taken those actions.

I also want to explain the important connection between the issues discussed here today and student achievement. ACCSC requires its institutions to submit a report annually of all programmatic graduation and employment rates and monitors any institution falling below that commissions establish benchmarks. We view these benchmarks as tools by which an institution can improve its own success and the success of its students, but these outcomes also help us to identify related problems at an institution, including an appropriate recruitment, advertising, or admissions practices.

If students are lured to an institution or induced to enroll when those students may not be a good fit in relation to program objectives, then that institution will likely have difficulty demonstrating competency achievement by its students and acceptable rates of graduation and employment.

Overall, I believe that ACCSC has demonstrated its commitment to establishing and enforcing standards related to recruitment, advertising, and admissions. And I also believe that accreditors can in all instances be expected to uncover every instance of noncompliance.

However, the unacceptable and abhorrent activities presented for this hearing do indicate that more vigilance amongst all accrediting agencies with regard to all institutions is necessary.

To that end, here are a few final thoughts. ACC will continue to assess its standards and practices and policies in these areas and commit to strengthening its accreditation practices even further.

Second, it is important that the department and ACCSC provide the appropriate oversight for all accreditors and create a level playing field, holding all accreditors accountable to establish and enforce rigorous and effective standards.

Finally, ACCSC is committed to working with Congress should it decide that accreditors need to do more in this area, and to ensure sound policy to protect the integrity of our higher education students and the higher education system and its students. Thank you.

[The prepared statement of Mr. McComis follows:]

PREPARED STATEMENT OF MICHALE S. MCCOMIS, ED.D.

Thank you for the opportunity to testify. My name is Michale McComis and I am the executive director of the Accrediting Commission of Career Schools and Colleges (ACCSC). I am honored to appear before the committee this morning to discuss the important issue of student recruitment by higher education institutions. I hope to provide the committee information about ACCSC's accreditation standards and process in this area, but also to provide our perspective on the role of accreditation in higher education more generally. Let me state unequivocally at the outset that any form of student recruiting or advertising practice that unduly induces students to enroll in an institution is anathema to the mission of the organization that I represent. As I outline in more detail below, ACCSC works diligently to enforce its standards in the areas being addressed by this hearing and is committed to eradicating inappropriate recruiting practices in its accredited institutions. In addition, ACCSC looks forward to exploring with this committee and Congress how oversight of the student recruitment experience might be strengthened through the accreditation process.

By way of introduction, ACCSC is a private, non-profit independent accrediting agency recognized by the Secretary of Education continually since 1967. ACCSC is national in scope and currently accredits 789 institutions with over 250,000 students throughout the country. These institutions are predominantly private sector, career-oriented institutions, offering programs at the non-degree, Associates Degree, Bachelors Degree, and Masters Degree levels. Institutions accredited by ACCSC prepare students for trade and technical careers in many areas including allied health, nursing, information technology, automotive technology, commercial art, and unique areas such as horology, luthiery, and yacht building and restoration.

ACCSC's primary mission is to serve as a reliable authority on educational quality and to promote enhanced opportunities for students. To meet its mission, the Commission has a values-based framework for accrediting focused on integrity, accountability, continuous improvement, open communication, and teamwork. My tenure with ACCSC began in 1994, becoming its executive director in 2008. I have recently served on two of the Department of Education's negotiated rulemaking panels—the 2009 Accreditation Panel and the 2010 Program Integrity Panel. I also recently testified before the House Committee on Education and Labor at a hearing regarding program length and credit hour definitions.

SUMMARY OF TESTIMONY

My testimony is divided into two primary parts. First, I will place the issue of recruitment in the broader context of our higher education system and regulatory structure. It is important to provide a bit of background regarding the need for continued reliance on the regulatory "triad" that provides the student funding and quality-assurance mechanisms for our institutions of higher education and to discuss ways in which that structure might be strengthened.

The second part of my testimony will provide the committee with a summary of ACCSC's standards on student recruiting and advertising and its process for reviewing institutions generally, and with regard to recruitment and advertising in particular. Developed based on four decades of experience in the accreditation of career-oriented institutions, ACCSC believes that its standards on recruiting and advertising are amongst the most rigorous in the higher education community and can serve as a model for accreditors' assessment. I also would like to discuss with the committee how ACCSC's standards on recruitment and advertising directly relate to our assessments of student achievement at our institutions.

THE BROADER CONTEXT OF HIGHER EDUCATION POLICY, ACCREDITATION, AND THE EVALUATION OF RECRUITMENT AND ADVERTISING PRACTICES

As higher education continues to take a more diverse shape, ensuring the quality and integrity of higher education institutions and their programs continues to be a paramount concern, and historically, the primary responsibility of accrediting agencies and the schools they accredit. Unlike Federal and State governments, accrediting agencies are private, independent entities, focused on establishing standards and assessing their member institutions in relation to those standards on a peer-review basis. As such, they are the best resource for making determinations related to educational quality.

Despite the independent, private nature of accreditation, accrediting agencies have been linked to the Federal student financial aid program since the Congress established the Higher Education Act 45 years ago. Institutions eligible for title IV funds must be accredited by an accrediting agency recognized by the U.S. Secretary of Education and the Higher Education Act creates a structure for this recognition process. Included in the act and regulations are criteria which all accrediting agencies must include in their accreditation standards. In this manner, accreditation has played an essential role in institutional and programmatic quality assurance, an essential component of the regulatory "triad" with Federal and State governments in overseeing higher education.

The Federal regulation of criteria for accreditation standards set forth the expectation that accrediting agencies have standards regarding recruitment, admissions practices, and advertising (section 602.16(a)(1)(vii)). It is, therefore, paramount that all agencies adopt and enforce such standards—regardless of the types of institutions the agency accredits. All regulatory and oversight agencies in the triad must work together to stem abuses in these areas. For example, if an institution is found by the Federal Government to have violated Federal regulations regarding recruitment practices, then there should be an expectation that a State would also conduct a review to determine if State law or regulation was violated and accreditors should investigate to determine as to whether the agencies standards were violated. This is a primary purpose of the triad and one that the Congress should expect to occur. To that end, I am hopeful that the GAO will supply my organization with information from its recent report on recruiting activities regarding any institution accredited by ACCSC so that we can conduct our own investigation into these matters.

The role of accreditation, in particular, is an increasingly important one. Given the growing diversity of higher education institutions and the growing demographic of career-focused, adult learners, coupled with the growth of education access and opportunity, accreditors must hold institutions accountable to ensure that only the highest level of integrity is injected into the student recruitment and admissions process. Moreover, all higher education institutions and their accreditors must understand the connection between recruitment and admissions processes and student achievement outcomes.

As I demonstrate in the next section of my testimony, ACCSC has established rigorous standards in the areas of recruiting, advertising, and admissions, intended to help ensure that institutions recruit and admit only those students who are accurately and fully informed about the institution's program and who are qualified and capable of completing the program in which they intend to enroll.

ACCSC'S STANDARDS AND PROCESSES REGARDING RECRUITMENT, ADVERTISING, AND ADMISSIONS

The ACCSC Standards of Accreditation and accreditation process emphasize educational quality by focusing on outcomes. Essentially, the Commission evaluates an institution's educational objectives and assesses the institution's success in meeting those objectives. This assessment process includes a review of an institution's compliance with input standards and the institution's ability to demonstrate acceptable output results in terms of student achievement outcomes, specifically student learning assessment and rates of graduation and employment.

ACCSC's Standards

In addition to having standards and processes to examine institutional inputs, ACCSC has outcomes-based standards, including graduation and employment rates, which the agency uses in its assessment process. Specifically, the Commission is concerned about institutional operations and how those operations contribute to student achievement outcomes and the application in the workplace of skills, knowledge, and competencies.

ACCSC's standards on recruitment, advertising, and admissions are necessarily linked to its standards on student achievement; none of the standards are viewed in isolation from another. ACCSC strives for a "whole school" assessment process whereby the appropriateness of an institution's operational and education inputs can be evaluated in the context of student achievement outcomes. Each component of the school (e.g., recruiting, advertising, admissions requirement, program design and curriculum, student services, the quality of the administration and faculty, the inclusion of the employment community in curriculum development and assessment, etc.) has an impact on the overall success of an institution and the success of students. ACCSC has more than 50 standards that address the areas of recruitment, advertising, and admissions directly (see Appendix I) and several more that do so tangentially.

ACCSC's primary standards require institutions to operate in an ethical manner with regard to recruitment practices and to demonstrate that:

- The institution describes itself to prospective students fully and accurately;
- The institution follow practices that permit prospective students to make informed and considered enrollment decisions without pressure;
- The institution's recruitment efforts attract students who are qualified and likely to complete and benefit from the training provided by the school, instead of simply obtaining enrollments;
- The institution observes ethical practices and procedures in the recruitment of its students in areas including the following:
    - Only using school employees for recruitment;
    - No making of false or misleading statements;
    - No recruiting at or near welfare offices, unemployment centers, or homeless shelters;
    - No promises (explicit or implicit) of employment;
    - No inducements to enroll;
    - No recruiters involved in admissions decision;
    - Allowance for a "cooling off" period and implementation of cancellation policies; and,
    - No discrediting others schools or influencing prospective students to leave another school.
- The institution provides prospective students with a copy of the catalog prior to enrollment for the purpose of full disclosure; and
- The institution provides prospective students with a copy of the enrollment agreement (i.e., contract) prior to and after signing, which sets forth clearly the obligations of the school and the student.

ACCSC's primary standards in the area of advertising require institutions to demonstrate that:

- All advertising and promotional materials are truthful and accurate and avoid leaving any false, misleading, or exaggerated impressions with respect to the school, its location, its name, its personnel, its training, its services, and its accredited status;
- Advertising and promotional materials clearly indicate that education, and not employment, is being offered and that no overt or implied claim or guarantee of individual employment is made at any time;
- Employment or Help Wanted classifieds are not used for any form of student recruitment;
- Endorsements used in school catalogs, literature or advertising are used only with the written consent of the authors and are kept on file and subject to inspection and that under no circumstances may currently enrolled students provide endorsements on behalf of the school;
- Advertisements and literature do not quote salaries for an occupation unless they also accurately indicate the normal range or starting salaries in the occupation for which training is provided and include the source of this information;
- Scholarships are not used as a recruiting device; and
- Advertising of accredited status also indicates by what agency or organization the institution is accredited and advertising of financial aid includes an eligibility phrase (e.g., financial aid available for those who qualify).

ACCSC's Process

Equally important to ACCSC's standards are the processes used by the Commission to evaluate an institution's compliance with those standards. ACCSC, therefore, has a multistep process by which the Commission evaluates an institution's compliance with accrediting standards. To prepare for the re-accreditation process, institutions are required to prepare a Self-Evaluation Report (SER),[1] which requires institutions to demonstrate how their programs meet ACCSC's standards. For example, institutions must explain how the institution has determined that its recruitment practices are ethical and appropriate, show that advertising in use is appropriate and not misleading, and demonstrate the appropriateness and implementation of admissions criteria.

ACCSC staff and peer-review evaluators then visit an institution and make determinations regarding an institution's compliance with standards based on the information presented in the SER and assessments made during the on-site evaluation. If there is an area of non-compliance cited by an on-site evaluation team, an institution has the opportunity to demonstrate compliance to the Commission. If an institution fails to make such a showing, ACCSC will take action measured appropriate to the level of the offense.

ACCSC has ample evidence to show that the Commission holds its institutions accountable to its standards to include, among many others, those related to recruitment, advertising, and admissions practices. Over the prior 2 years, ACCSC conducted 629 on-site evaluations for a variety of purposes (i.e., initial and renewal of accreditation, substantive changes reviews, and directed investigations on an announced and unannounced basis). During those 629 on-site evaluations, approximately 8 percent of our findings pertained to the areas of recruitment, advertising, or admissions practices. Within those findings, 70 percent were in the area of advertising, 25 percent were in the areas of admissions practices, and 4 percent were in the area of recruitment practices. Examples of these findings range broadly from less severe non-compliance such as stating correctly that the school is accredited without also stating that ACCSC is the accrediting agency to more serious noncompliance. Examples of more serious noncompliance include, in the area of advertising the use of a subjective statement or other information that an institution might not be able to fully support (e.g., "state-of-the-art"), in the area of admissions not collecting sufficient documentation to demonstrate that admissions criteria were fully met prior to matriculation for all students, and in the area of recruitment not sufficiently removing recruitment personnel from the admissions decision process. While the statistics show that findings related to recruitment, advertising, and admissions practices are not indicative of substantial noncompliance by our institutions, ACCSC does take each and every instance of noncompliance seriously and the Commission is diligent in requiring institutions to take corrective action necessary to demonstrate that they achieve compliance.

Another indicator that the issues addressed herein are not widespread among ACCSC-accredited institutions is the results of student surveys that the Commission conducts during the on-site evaluation. An analysis of student survey results

[1] Institutions seeking initial accreditation are also required to complete a detailed SER, which would include a demonstration of compliance with our advertising and recruitment standards.

from 69 on-site evaluations conducted in April 2010 through May 2010 shows the following:

Student Survey Results

Survey question	Total respondents	Number Yes	Number No	Percentage Yes	Percentage No
Were all entrance requirements explained to you before you enrolled?	6,091	5,817	274	95.5	4.5
Were all costs that you are required to pay to attend this school explained to you?	6,070	5,668	402	93.4	6.6
Did you receive a copy of the school catalog before you enrolled?	6,073	5,539	534	91.2	8.8
Did you receive a signed copy of the enrollment agreement?	6,067	5,962	105	98.3	1.7
Did a school representative accurately provide you with all necessary facts and details about the school?	6,057	5,456	601	90.1	9.9
Did the school explain your loan payment responsibilities?	5,893	5,518	375	93.6	6.4
Are you clear about the size of your loan and what your repayment plan will be?	5,890	5,060	830	85.9	14.1
Did the financial aid representative appear knowledgeable and helpful?	5,927	5,289	638	89.2	10.8
Do you feel good about your decision to attend this school?	5,920	5,413	507	91.4	8.6

While the results of the surveys do not show 100 percent student satisfaction, they certainly show a very high rate of student satisfaction in areas related to the admissions and financial aid processes of their institutions—a rate high enough to support a conclusion that the problems that do exist are not widespread amongst our accredited institutions.

With regard to enforcement, ACCSC has a number of programmatic and institutional actions at its disposal to ensure compliance with its standards and rules. As stated previously, when non-compliance with a standard is found, the institution has an opportunity to demonstrate corrective action and that the institution has achieved compliance. If the Commission determines that an institution has not fully or sufficiently made such a showing, the Commission can defer final action, direct a school to show cause why accreditation should not be revoked, place an institution on probation, direct a school to cease enrollment in a program, or take an adverse action such as accreditation revocation. Which action the Commission takes will often depend on the severity of noncompliance or the amount of time that has transpired where the school over time has failed to demonstrate compliance. In at least one instance, ACCSC denied a school's application for initial accreditation solely on grounds that the institution did not meet the Commission's advertising standards. To reiterate an important point regarding accountability, all accreditors should have rigorous standards in the areas of recruitment and advertising practices and enforce those standards, regardless of the types of institutions accredited, insofar as all students must be protected from inappropriate recruiting practices or misleading advertising.

Between accreditation cycles, ACCSC relies on both its interim monitoring process and its robust complaint process to monitor potential violations of recruitment, advertising, and admissions standards. With regard to interim monitoring, the Commission can direct an institution to submit reports to demonstrate on-going compliance over time. This function is used when a school has demonstrated corrective action, but the Commission wishes to monitor the institution's implementation of that corrective action and compliance with applicable accrediting standards over time. ACCSC also requires its institutions to submit a report annually of all programmatic graduation rates and employment rates and will place an institution into a monitoring phase should any reported rate of graduation or employment fall below the Commission's benchmarks.

With regard to ACCSC's complaint process, if a student believes that he/she has, for example, been misled in the recruitment or admissions process, that student can forward a complaint to the Commission for investigation. Pursuant to Federal regulations and in keeping with best practices, ACCSC reviews every complaint received and investigates those that raise a reasonable doubt as to an institution's compliance with accrediting standards. The Commission believes that this is a crucial component of its interim monitoring and therefore requires every institution to publish in its catalog the ACCSC Student Complaint/Grievance Procedure that provides students with detailed information regarding how to file a complaint with the Commission.

In the prior 2 years, ACCSC has received 411 complaints from students, parents, school employees, other accredited institutions, and members of the public.[2] Of those 411 complaints, 50—12 percent—included at least one allegation regarding recruitment, advertising, or admissions practices. Generally, these complaints allege issues such as the use of misleading advertisements or that school personnel made statements that the complainant believed to be inaccurate. Again, this statistic indicates that while problems associated with recruitment, advertising, and admissions practices exist and are troubling, the instances do not appear to be widespread among our schools. This notwithstanding, ACCSC takes all complaints seriously and in instances where a complaint investigation has uncovered an area of noncompliance, the Commission has required the institutions to demonstrate corrective action necessary to achieve compliance. ACCSC has had instances where an investigation predicated on a complaint ultimately led to a Show Cause Order, Probation Order, or the revocation of an institution's accreditation (although, not always for the same reasons set forth in the original complaint).

Connection to Student Achievement

ACCSC believes that the evaluation of recruitment, advertising, and admissions practices is linked to our evaluation of student learning and outcomes at institutions. ACCSC therefore tightly aligns its student achievement standards to institutional operations and input standards. ACCSC views its graduation rate and employment rate benchmarks as tools to identify issues, such as inappropriate recruitment, advertising, or admissions practices, and to develop institutional improvement objectives as a means to enhance institutional and student success. In the area of student learning and achievement outcomes, ACCSC requires that:

- Student learning outcomes for each program are consistent with the program objectives and meet any relevant academic, occupational, or regulatory requirements;
- Student learning outcomes for each program are aligned with the program's objectives, the occupational area of study, and with the level of education intended (e.g., non-degree, degree, degree level);
- Student learning outcomes for each program reflect the necessary occupational and academic knowledge, skills, and competencies as applicable;
- The school has a developed and structured process to assess and evaluate the defined student learning outcomes;
- The school must demonstrate successful student achievement by documenting through its assessment practices that students are acquiring the knowledge, skills, and competencies intended by the program objectives; and
- The school must demonstrate successful student achievement by maintaining acceptable rates of student graduation and employment in the career field for which the school provided education.[3]

If students are lured to an institution and induced or encouraged to enroll when those students may not be a good fit in relation to program objectives, then that institution will likely have difficulty demonstrating competency achievement by its students and acceptable rates of graduation and employment. These are the types of assessment that are key and I have seen, anecdotally, where an institution's graduation rates decreased in direct correlation to more aggressive marketing schemes. In such instances, ACCSC has required an institution to make a showing of corrective action in a manner that positively affected student achievement outcomes.

Overall, I am proud of the Commission's diligence in enforcing its recruitment, advertising, and admissions standards and while I believe that the unacceptable and abhorrent activities presented for this hearing are not in evidence for an entire sector of the higher education community, I am aware that more vigilance among all accrediting agencies, with regard to all institutions is necessary. To that end, ACCSC will continue to assess its standards in these areas and look for opportunities to strengthen its accreditation practices. It is also important that the oversight of all accreditors through the NACIQI process creates a level playing field and holds all accreditors accountable to establish and enforce rigorous and effective standards in the areas of recruitment, advertising, and admissions practices.

[2] Total enrollment in ACCSC-accredited institutions was 257,954 as of June 30, 2009.
[3] Appendix II includes further detail of ACCSC's student learning and achievement outcomes standards.

CONCLUSION

ACCSC believes that its standards represent exemplary practices in the areas of student recruitment, advertising, admission practices, and student achievement outcomes measures for the kinds of institutions it accredits. ACCSC also believes that accreditation has a significant role to play in institutional assessments regarding recruiting, advertising, and admissions practices and believes that all accreditors, regardless of the type of institution accredited, should establish and enforce similar rigorous standards in these areas. ACCSC's standards work because they have been developed in a peer review environment—an environment of for-profit institutions that are committed to best practices and institutional and student success. Accreditors can and should continue to be relied upon to establish these standards in conjunction with their institutions keeping in mind the best interest of students. Thus, Federal law and regulation should also continue its historical reliance on professional accreditors to make the appropriate assessments of its accredited institutions. Accreditors, however, also must be committed to enforcing accountability measures with their institutions and also must uphold their role in the triad to ensure that students are always a paramount consideration of our actions.

APPENDIX I

ACCSC RECRUITING, ADVERTISING, AND ADMISSIONS STANDARDS

Schools must describe themselves to prospective students fully and accurately and must follow practices that permit prospective students to make informed and considered enrollment decisions without undue pressure. The school's recruitment efforts must attract students who are qualified and likely to complete and benefit from the training provided by the school and not simply obtain enrollments.

A. Recruitment

Schools must observe ethical practices and procedures in the recruitment of its students. Ethical practices and procedures include, at a minimum, the following:

1. A school shall use only its employees to conduct student recruiting activities, except outside the United States, its territories, or its possessions, where a school may use third-party agents for recruiting.
2. Schools under common ownership may employ a single recruiter.
3. A school is prohibited from using employment agencies to recruit prospective students.
4. A school is responsible to its students and prospective students for the actions and representations of its recruiters and, therefore, selects recruiters with the utmost care and provides adequate training and proper supervision.
5. Each school complies with applicable State laws and regulations on student recruitment.
6. A school that authorizes its recruiters to advertise, to prepare advertising, or to use promotional materials must approve the materials in advance and accepts full responsibility for the materials used.
7. A school shall ensure that its recruiters do not make false or misleading statements about the school, its personnel, its training, its services, or its accredited status.
8. A school shall not permit its recruiters or other school personnel to recruit prospective students in or near welfare offices, unemployment lines, food stamp centers, homeless shelters, or other circumstances or settings where such persons cannot reasonably be expected to make informed and considered enrollment decisions. Schools may, however, recruit and enroll prospective students at one-stop centers operated under government auspices, provided that all other recruitment and admissions requirements are met.
9. A school may not make explicit or implicit promises of employment to prospective students.
10. A school shall not permit the payment of cash or other consideration to any student or prospective student as an inducement to enroll.
11. A school shall not permit its recruiters to assist prospective students in completing application forms for financial aid.
12. A school shall not permit its recruiters to become involved in admission testing or admission decisions.
13. The school must be clearly identified in all contacts with prospective students.
14. Cancellation Policies:

(a) Applicants who have not visited the school prior to enrollment will have the opportunity to withdraw without penalty within 3 business days following either the regularly scheduled orientation procedures or following a tour of the school facilities and inspection of equipment where training and services are provided.

(b) All monies paid by an applicant must be refunded if requested within 3 days after signing an enrollment agreement and making an initial payment. An applicant requesting cancellation more than 3 days after signing an enrollment agreement and making an initial payment, but prior to entering the school, is entitled to a refund of all monies paid minus a registration fee of 15 percent of the contract price of the program, but in no event may the school retain more than $150.

15. A school must provide the applicant with a receipt for any money collected.

16. A school must provide the applicant with a copy of the completed enrollment agreement.

17. When engaged in recruiting activities, a recruiter is not permitted to use any title, such as "counselor," "advisor," or "registrar," or credential that implies other duties.

18. School personnel do not discredit other schools by: falsely imputing to them dishonorable conduct, inability to perform contracts, or questionable credit standing; making other false representations; falsely disparaging the character, nature, quality, value, or scope of their program of instruction or services; or demeaning their students.

19. School personnel do not knowingly influence any student to leave another school or encourage a person to change plans after signing an enrollment application and paying the registration fee of another school.

B. Catalog

1. A school's catalog must accurately portray the school; its educational programs, resources and facilities; and policies and procedures and include, at a minimum, all items listed on the Catalog Checklist. (See also Section I (D)(6), Substantive Standards, Standards of Accreditation.)

2. A school's catalog must be designed and written, to convey an accurate and dignified impression of the school. The catalog's illustrations, photos, and narrative must pertain directly to the school and sources of illustrations and photos must be clearly identified.

3. A school must provide each applicant with a current and complete catalog prior to signing the enrollment agreement so that each potential student may make an informed decision relative to the school's educational programs, institutional policies, and procedures. A school may provide either a printed and bound copy of the catalog or a read-only format electronic copy that cannot be altered (e.g., portable document format (PDF), etc.). In either case, all versions of the catalog must be identical and students that receive an electronic copy of the catalog must also be able to receive a printed and bound copy of the catalog upon request.

C. Enrollment Agreement

1.The enrollment agreement must include, at a minimum, all required items listed on the Enrollment Agreement Checklist. (See also Section I (D)(6), Substantive Standards, Standards of Accreditation.)

2. The enrollment agreement must clearly state the obligations of both the student and school.

3. The school must ensure that each applicant is fully informed of the rights, responsibilities, and obligations of both the student and the school under the enrollment agreement before it is signed by the applicant.

4. A complete enrollment agreement is furnished to the applicant at the time the applicant signs.

5. No enrollment agreement is binding until it has been signed by the student and accepted by the appropriate school official. A copy of the fully signed enrollment agreement is furnished to the student.

D. Advertising and Promotion

1. All advertising and promotional materials are truthful and accurate and avoid leaving any false, misleading, or exaggerated impressions with respect to the school, its location, its name, its personnel, its training, its services, and its accredited status.

2. A school may use the term "University" in its name only when such use has been approved by the Commission and appropriate State authorities.

3. The school's advertising and promotional materials must clearly indicate that education, and not employment, is being offered. No overt or implied claim or guarantee of individual employment is made at any time.

4. A school may not use the Employment or Help Wanted classifieds for any form of student recruitment.

5. Endorsements used in school catalogs, literature or advertising are used only with the written consent of the authors and are kept on file and subject to inspection. Such endorsements are used only when they are a *bona fide* expression of the author's opinions and are strictly factual and portray currently correct conditions or facts. Under no circumstances may currently enrolled students provide endorsements on behalf of the school.

6. School literature and advertisements may not quote salaries for an occupation unless they also accurately indicate the normal range or starting salaries in the occupation for which training is provided and include the source of this information.

7. Scholarships are not used as a recruiting device.

8. A school may use the term "accredited" only if it indicates by what agency or organization it is accredited. Publication of accreditation must comply with the Advertising of Accredited Status form.

9. Advertising of financial aid includes an eligibility phrase (e.g., financial aid available for those who qualify).

10. A school may describe in its catalog, advertise, or promote new programs, substantive changes, or degree programs only after receiving Commission approval.

ADMISSION POLICIES AND PRACTICES

Schools may only admit those students who are capable of successfully completing the training offered. Admission decisions must be based on fair, effective, and consistently applied criteria that enable the school to make an informed judgment as to an applicant's ability to achieve the program's objectives.

A. General Requirements

1. The school must inform, prior to admission, each applicant for enrollment of the program's admission requirements, process, and procedures; the nature of the training and education provided; and the program's responsibilities and demands.

2. The school must:

(a) Consistently and fairly apply its admission requirements;

(b) Determine that applicants admitted meet such requirements and are capable of benefiting from the training offered;

(c) Determine that applicants rejected did not meet such requirements;

(d) Ensure that each applicant admitted has the proper qualifications to complete the training; and

(e) Secure documentation to demonstrate that each applicant meets all admission requirements.

3. Documentation must exist, covering the last 5 years, that demonstrates that admission requirements have been met or explains the basis for any denial of admission.

4. The school determines that each applicant has no disabilities, physical or otherwise, that would prevent use of the knowledge or skill gained from the training offered for successful on-the-job performance after completion of the training.

5. No school denies admission or discriminates against students enrolled at the school on the basis of race, creed, color, sex, age, disability, or national origin. Schools must reasonably accommodate applicants and students with disabilities to the extent required by applicable law.

6. Schools may not accept any enrollment from a person of compulsory school age or a person attending a school at the secondary level, unless it has established through contact with properly responsible parties that pursuit of the training will not be detrimental to the student's regular school work.

7. The Commission, at its discretion, may require a school to conduct a study to document the effectiveness of its admission requirements for all students.

B. Non-Degree Programs

If the school enrolls a person who does not possess a high school diploma or recognized equivalency certificate (non-degree programs only):

1. The determination of the applicant's ability to benefit from the training offered must be confirmed by documentation of the applicant's achievement of an approved score on a test or tests that have been reviewed by a qualified, independent third party for appropriateness of the instrument and specific score levels required for admission.

2. The acceptable score ensures that students will benefit from the training provided and that a substantial number of students will complete the training and be employed in the field for which training was provided.

C. Degree Programs—Undergraduate

The school must use appropriate techniques to assess whether applicants have the skills and competencies to benefit from the training provided at the undergraduate level. Students admitted to associate or baccalaureate degree programs must have earned at least a high school diploma or recognized equivalency certificate prior to starting class.

D. Degree Programs—Graduate

1. The school must use appropriate techniques to assess whether applicants have the skills and competencies to benefit from the training provided at the graduate level. A student admitted to a master's degree program must possess an earned baccalaureate degree from a recognized higher-education institution (e.g., accredited by an agency recognized by the U.S. Department of Education or the equivalent). All admission criteria, to include evidence of an earned baccalaureate degree, must be met prior to matriculation.

2. For graduate level courses or master's degree programs, standardized or national examinations may be required (e.g., GRE or GMAT). The school may utilize other entrance tests that have been reviewed by a qualified, independent third party for appropriateness of the instrument and specific score levels required for admission. In any case, the school must disclose the type and nature of examination and the acceptable score and/or range of scores applicants must receive to be admitted.

E. ESL Programs

1. Students enrolled in ESL programs must meet all other admission requirements applicable to students enrolled in the school's career or occupational programs, which may be established through testing in the student's native language. During the enrollment process, adequate translation resources must be available to assist students in their comprehension of the process and all program requirements.

2. The school must demonstrate that, with appropriate teaching, the students enrolled in front-loaded and integrated ESL programs can qualify for specialized training or continue their occupational education.

3. The school must demonstrate that students enrolled in stand-alone ESL programs possess job skills, as evidenced by documentation of credentials or test scores, and that proficiency in English is needed by the student in order to obtain employment in the field for which trained. The school must also document that students enrolling in a stand-alone program have previously obtained occupational licensure or document that the students possess educational experience that is sufficient to obtain a job in the field for which trained.

APPENDIX II

ACCSC STUDENT LEARNING AND ACHIEVEMENT STANDARDS

Student learning outcomes for each program are consistent with the program objectives defined by the institution's program design and development process and meet any relevant academic, occupational, or regulatory requirements (Section VII (A)(1)(a), Substantive Standards, Standards of Accreditation).

Student learning outcomes for each program are aligned with the program's objectives, the occupational area of study, and with the level of education intended (e.g., non-degree, degree, degree level) (Section VII (A)(1)(b), Substantive Standards, Standards of Accreditation).

Student learning outcomes for each program reflect the necessary occupational and academic knowledge, skills, and competencies as applicable (Section VII (A)(1)(c), Substantive Standards, Standards of Accreditation).

The school has a developed and structured process to assess and evaluate the defined student learning outcomes of the education and training and established competencies (e.g., the application of knowledge and skills to the standard of performance articulated in the program objectives and as expected in the workplace). This process may include a variety and combination of methods such as grading, portfolio assessment, and criterion referenced testing based on developed and appropriate rubrics (Section VII (A)(2)(a), Substantive Standards, Standards of Accreditation).

The school demonstrates successful student achievement by documenting through its assessment practices that students are acquiring the knowledge, skills, and competencies intended by the program objectives (Section VII (B)(1)(a), Substantive Standards, Standards of Accreditation).

The school demonstrates successful student achievement by maintaining acceptable rates of student graduation and employment in the career field for which the school provided education. The school supports these rates through student transcripts, the school's verifiable records of initial employment of its graduates, or other verifiable documentation (Section VII (B)(1)(b), Substantive Standards, Standards of Accreditation).

ACCSC STUDENT ACHIEVEMENT BENCHMARKS

Established Benchmark Graduation Rates

Program length in months	Average rates of graduation demonstrates acceptable student achievement [In percent]	Standard deviation [In percent]	Established benchmark graduation rates * [In percent]
1–3	92	8	84
4–6	82	13	69
7–9	69	14	55
10–12	69	15	54
13–15	61	16	45
16–18	59	17	42
19–24	56	20	36
25–35	55	22	33
36+	47	15	32

*If a school reports a lower graduation rate for a program, that program will be subject to additional monitoring or reporting as deemed appropriate.

Established Benchmark Employment Rate

	Average rate of employment demonstrates acceptable student achievement [In percent]	Standard deviation [In percent]	Established benchmark employment rate* [In percent]
All Programs	82	12	70

*If a school reports a lower employment rate for a program, that program will be subject to additional monitoring or reporting as deemed appropriate.

The CHAIRMAN. Thank you very much, Dr. McComis. Now Mr. Pruyn, welcome. Please proceed.

STATEMENT OF JOSHUA PRUYN, FORMER ADMISSIONS REPRESENTATIVE, ALTA COLLEGE, INC., DENVER, CO

Mr. PRUYN. Thank you for inviting me today and for conducting hearings on this issue. My name is Joshua Pruyn. I'm a former admissions representative for, as Senator Mikulski might have referred, a bounty hunter for Westwood College. Westwood is a for-profit school with 17 campuses around the country, an online division, which is where I worked. I applied to be an admissions representative at Westwood, because of my experience with my college hockey team.

As captain of the team, I would talk with prospective students about the team and the university. I got satisfaction on the experience and thought I'd feel the same about my role as an admissions representative when I accepted the position at Westwood in November 2007.

It didn't take long before I realized my new job was essentially a sales job. During training, admissions representatives learned sales techniques, a seven step sales process in the cookie close. We were given a script that told us to tell potential students that they can go and get accepted into Westwood by interviewing with and securing a recommendation from an admissions representative.

In reality, there's no recommendation process and no standard for enrollment into Westwood. The interview process, which is the psychological game to enroll students.

I finished the training, feeling ill prepared in my knowledge about the programs, the classes, the instructors, and the support systems the school offered.

After my initial training, the real training on the boiler room sales floor began. Prospective students are referred to as leads. I remember talking to one student shortly after he requested information. When I called him the very next day, he said he was put off by the whole experience because he received 34 voice messages from various online schools attempting to recruit him, which doesn't stop just after 1 day.

In the location where I worked, there are well over 100 admissions representatives divided into about 10 teams. The directors keep the teams in constant competition for prizes with one another. Every time a team signed up a student, they'd set off their signature sound effect, bang a drum, ring a bell, or blow a whistle. An email was also sent out to the entire admissions department to announce their latest enrollment. All of this was designed to keep the energy high and the phones dialing.

In addition to the hyped up atmosphere, representatives were also kept motivated by the promise of rewards. Each representative had a quota of two students to enroll per week. An enrollment was nothing more than a completed and electronically signed application. Individual enrollments could be paid time off or gift cards. In a successful year, the top representatives, an all expenses paid trip to Cancun.

Most importantly, each term, representatives needed to return at least six of their enrollments into starts. A start consisted of a student who completed all of their financial aid requirements and attended classes for the first 14 days. Fourteen was the magic number. I was told after 14 days, Westwood could keep the student's Federal financial aid money, even if the student dropped out.

It was this start number that determined salary and promotions. It was all about the numbers. With high numbers, the most successful representatives could earn about three times their starting salary.

The emphasis on starts was brought home for me when I enrolled a student named Jeffrey. In Jeffrey's 13th day of school, he was called up from the Army Reserves into active duty. He called me to tell me he withdrew from college. I spoke to him and determined he was unable to attend school. I told my director and she was furious. On her orders, I spoke to Jeffrey again and reached the same conclusion.

My assistant director and then my director both called Jeffrey and was pushing him to stay enrolled. She wasn't willing to lose this start, despite the fact that it was clearly in Jeffrey's best interest to withdraw before he was on the hook for his student loans.

I was disgusted by such a flagrant disregard for the student, especially someone who's called on to serve in the military. Deception was built into the admissions department. To avoid reviewing the full $75,000 price tag for the online bachelors degree, some representatives would simply lie about the total cost. I overheard representatives say the final cost of education at Westwood was less than half the actual price.

More often, representatives would tell the students the per term cost of approximately $4,800. And the student incorrectly assumed there were two or three terms per year, like most traditional colleges. There was actually five terms per year.

I constantly overheard representatives promise that Federal grants would cover almost the entire cost of education and even make up or cite misleading salary information.

To my knowledge, none of these lies were ever discouraged. And at times, they were even encouraged. The most appalling example I can think of was when my assistant director of admissions on my team was presented with a best liar award at a team celebration. In training, we were told that from the student's perspective, there's no significant difference between national and regional accreditation. I started investigating and discovered there's actually a big difference.

Not only was there a higher standard of education for regionally accredited schools, but there's also a huge issue with transferring credits. Yet for months, I'd worked under the impression that there wasn't much difference between national and regional accreditation at all.

One last example where students were often misled had to do with Westwood's internal loans program, which we called Student Supplemental Financing, which is basically a private loan from a college that we were told not to call a loan.

We were told to tell students if their financial aid didn't cover all the costs, Westwood would step in to help. Representatives told students all they'd have to do to cover the balance was pay a maximum of $150 a month while they're in school.

Probably when I began enrolling more students, a financial aid advisor eventually told me more about that loan. I was told that monthly payments hardly put a dent in the amount a student owed, and that the students would have to pay 12 percent on what they owed after graduation.

I had no plan to quit Westwood as I drove to work on what became my last day. Sitting at my phone, I just finally accepted that I could no longer tell myself it was possible to work for Westwood and consider myself to be working within any degree of ethical standard.

When I left, I had no expectation or reasonable prospect for finding another job quickly. I didn't really think about that. I just thought about how naïve I'd been, hoping to help students make a better future for themselves through college.

Instead, I left fearing the students I enrolled would end up with a mountain of debt, and little or nothing to show for it.

Thank you.

[The prepared statement of Mr. Pruyn follows:]

PREPARED STATEMENT OF JOSHUA PRUYN

Thank you for inviting me today and for conducting hearings on this issue.

My name is Joshua Pruyn. I'm a former admissions representative of Westwood College. Westwood is a for-profit school with 17 campuses around the country and an online division, which is the division I worked for. The parent company for Westwood College Online is Alta Colleges, Inc.

I applied for the admissions representative position at Westwood because of my experience with my college hockey team. As captain of the team, I would periodically speak with prospective students about the team and the university. I got satisfaction out of this experience, and I anticipated that I would feel the same in my role as an admissions representative when I accepted the position at Westwood in November 2007.

I remember the training for the position. It was essentially training for a sales job. We learned sales techniques such as "the seven-step sales process" and "the cookie close." We were told how enrolling a student was a psychological game. We were given a script that told us to tell potential students they could only be accepted into Westwood by interviewing with and securing a recommendation from an admissions representative. In reality, that was not true. There was no recommendation process and absolutely no standard for enrollment into Westwood. A student only needed a high school diploma or GED and $100 for the application fee. During the interview, we were taught to portray ourselves as advisors looking out for the students' best interests and ensuring they were a good fit for the school. This fake interview would allow the representative to ask students questions to uncover a student's motivators and pain points—their hopes, fears, and insecurities—all of which would later be used to pressure a student to enroll. For example, if a lead told you they wanted to go to school because they hated their minimum wage job as a cashier, we were taught how to remind the lead of the dead-end job if he or she later declined to enroll.

I remember finishing the training feeling ill-prepared in my knowledge about the programs, the classes, the instructors, and the support systems the school offered. I did, however, learn a lot about sales tactics.

After the official training, my real training on the boiler-room sales floor began. Prospective students were referred to as "leads." Leads came mostly from the Internet. Sometimes the student wouldn't even know their information was sent to Westwood. They may have just registered with a job Web site or contest that automatically sold their information. The lead's phone number and other personal information would immediately appear on our desk. We were urged to rush and call the students immediately, because quite a few other schools would get the same information and were also trying to call them right away. I remember talking to one student for more than an hour shortly after he requested information. When I called him the next day, he said he was put off by the whole experience because he received 34 voice messages from various online schools attempting to recruit him. This doesn't stop after just 1 day. We'd continue to call leads several times a day for 2 weeks.

In the location where I worked there were well over 100 admissions representatives divided into about 10 teams. Each team had a name, like "the drivers" or "sopranos." Teams consisted of 10–15 reps and were supervised by a director of admissions and one or two assistant directors. The directors kept the teams in constant competition with one another. At any given time, multiple contests for gift-cards, paid time-off and other incentives were offered in order to motivate representatives to enroll as many students as possible. Every time a team signed up a student, they would set off their signature sound effect—bang a drum, ring a bell, or blow a whistle. An email was sent out to the entire admissions department to announce our latest enrollment—all of this was designed to keep the energy high and the phones dialing.

I remember one email in particular (which has been provided to you). It was sent out after a sales representative signed up his second student of the day. A picture showed gangsters hanging out a car window with assault weapons. The comment read, "Everyone Hit the DECK!!!!!!!!!!!!! A Drive BY JUST Occurred!" As that email illustrates, many recruiters looked at students as just another target to nail to help meet their quotas. And that attitude was not isolated. It was part of the corporate culture. I was taken aback by the general disdain for prospective students. They were often characterized and described among admissions staff as stupid, lazy, and generally unaware of what was in their own best interest.

In addition to the hyped-up atmosphere, representatives were also kept motivated by the promise of rewards. Each representative had a quota of two students to enroll per week. An "enrollment" was nothing more than a completed and electronically-signed application. Individual enrollments could mean paid time-off or gift cards, and when I was there, a successful year earned the top representatives an all-expenses-paid trip to Cancun. Most importantly, each term representatives needed to turn at least six of those enrollments into "starts." A start consisted of a student who completed all of their financial aid requirements and attended classes for 2 weeks. I was told that after 2 weeks Westwood could keep the student's Federal financial aid money, even if the student dropped out. It was the start that determined most rewards including salary and promotions. It was all about the numbers. With high numbers, the most successful representatives could earn about three times their starting salary.

But rewards were not the end of the story. If a representative was not meeting their numbers, supervisors would apply constant pressure. If you fell behind in your enrollments or start quotas you'd be expected to make at least 150 calls a day if you didn't want to be harassed and threatened by your supervisor. If my supervisor's monitoring system showed me slowing down on calls for a few minutes, I'd receive an email with a computer screen shot showing my inactivity. When I struggled to enroll students, I received more and more direct coaching. I was told to replicate how various representatives talked about financial aid or generated excitement for a program. The representatives I was told to emulate would exaggerate expected salary data, present misleading tuition information, and fabricate the credentials of faculty members. Of course, at the same time I was being constantly reminded that my job was on the line if I didn't hit the quotas, whether through hints, blunt statements, or the sudden absence of a co-worker.

Not surprisingly, this type of environment led to abuse. To avoid revealing the full $75,000 price tag for a bachelor's degree, some representatives would simply lie about the total cost. I overheard representatives say the final cost of the education at Westwood was less than half the actual price. More commonly, representatives would tell students the per term cost of approximately $4,800 and let the student incorrectly assume there were two or three terms per year, like most traditional colleges. There were actually five terms each year. I also overheard representatives promise that Federal grants would cover almost their entire education. They'd make up or cite misleading salary information, leading potential students to believe that they could leave Westwood Online with a job that pays over $100,000 and at their choice of employer. There simply were no boundaries. The most troubling part about the job was that, to my knowledge, none of these lies were ever discouraged. I worked on two different teams and under three different directors of admissions. Our supervisors recorded every call and listened to many of them, but not once did I witness any supervisor step in to discourage any of the lies or deceptive statements. In fact, lying was often implicitly or explicitly encouraged. The most appalling example was when the assistant director of admissions on my team was presented with a "Best Liar" award at a team celebration.

For months, I was able to convince myself that I wasn't like my supervisors, or any one of the majority of representatives who lied and deceived prospective students and mastered the art of pushing on pain points and emotional triggers to pressure students into attending school, regardless of what was in their best interest. But, eventually, all the coaching I received started working, and I began enrolling more students. I was becoming a better salesman. I was taken off probation. My job was now safe, because, as my supervisor put it, I was "fulfilling my potential." And I continued to convince myself I could work this job ethically.

Sadly, when I started to see how students were treated after enrollment, I became even more disillusioned with the company I worked for. I learned that the lies don't stop at enrollment. The next important thing was to make sure that students didn't drop out—at least during the first 14 days of classes. Fourteen was the magic number. After a student attended for 14 days, the school was allowed to keep any financial aid it received as a result of enrolling that student. I remember one particular student I enrolled named Jeffrey. He was in the Army Reserves. On Jeffrey's 13th day of school, he was called up from the Army Reserves to active duty to serve as a drill sergeant, so he called in to withdraw from school. I spoke to him and determined he was completely unable to attend and succeed in school. I told my director, and she was furious. She ordered me to call him back. I spoke to Jeffrey again for more than an hour and reached the same conclusion. My director then had my assistant director call Jeffrey and, not surprisingly, he reached the same conclusion: Jeffrey was simply unable to go to school with his schedule. But my director still wasn't satisfied. She called him and tried to pressure him for yet another hour. I remember her saying she might even have my executive director call. Jeffrey was just 1 day away from the deadline, and she wasn't willing to lose the "start" regardless of the fact that it was clearly in his best interest to withdraw before he was on the hook for his Federal loans. I was disgusted by such a flagrant disregard for the student and a member of the military.

The more I learned about the school's programs and operations, the more it became clear that it wasn't just a few rogue representatives under pressure lying to students. It was institutional, systematic and often hidden from the representatives themselves, who often didn't realize the information they shared with students was not true. Three examples in particular stand out in my memory.

In training we were told that, from the student's perspective, there was no significant difference between national and regional accreditation. When Westwood announced they had applied for regional accreditation, I started investigating and discovered there was a big difference. Not only was there a higher standard of education for regionally accredited schools, but there was also the huge issue of transferring credits. Since Westwood was not regionally accredited, most traditional schools would not accept the school's credits or allow students to pursue an advanced degree. This meant that most Westwood students would not be able to transfer their credits to other colleges. Yet, for months I worked under the impression there wasn't much difference between regional and national accreditation.

A second falsehood that started in training was the fictitious but impressive sounding credentials of Westwood College's gaming programs. They were the school's most popular programs, the easiest to get students excited about, and the "most prestigious." Representatives often referred to Westwood as the "Harvard" of gaming schools. Virtually every representative, encouraged by supervisors and reinforced by training, would tell students about the endorsements the gaming programs received from respected companies in the industry, the sterling credentials of the faculty, and the promising prospects for a graduate with a gaming degree from Westwood. But as I found out, the endorsements did not exist. The credentials were fabricated, and the prospects were dim for graduates. When I spoke with the career center, which was supposed to help students with job placement, I learned they only had a small staff of two or three, compared to the 200-plus admissions representatives. It didn't seem like the school was equipped to provide the incredible career assistance we had been promising students. Even more disturbing, I was told the two gaming programs had only been around for about 3 years. And in fact, we didn't have any graduates working for the major gaming companies at all. In reality, we only had *three* students total who had graduated from our gaming programs. I found out that of the three graduates, one had an interview with a gaming company, one was unemployed and the other was working as a truck driver.

One last example where students were often misled had to do with Westwood's internal loan program, which we called "student supplemental financing." It was basically a private loan from the college that we were told not to call a loan. We were told to tell students that if their financial aid didn't cover all their costs, Westwood would step in to "help." Representatives told students all they would have to do to cover the balance was pay $150 a month while they were in school. However, when I began enrolling more students, a financial aid advisor eventually told me more about the loan. I learned that the monthly payments hardly put a dent in the amount a student owed. It was only a couple of weeks before I left Westwood when I learned students would have to pay an oppressively high interest rate of 12 percent on what they owed after graduation.

I began to realize that many of the things I accepted and told people on the phone about Westwood were based on falsehoods. I had graduated magna cum laude from my college, and yet I proved to be embarrassingly naïve, foolish and trusting about the school. I started wondering how a student was supposed to navigate through these tricky waters. How could they be expected to know they were being misled?

I quit my job at Westwood on a Monday morning. I had no plan to quit as I drove to work that day. But I came across a quote by Hannah Arendt that I had slipped under my keyboard months earlier while thinking of one of my supervisors—someone who I thought was a fairly likeable guy but didn't seem to have any sense of morality. As I read that quote about how evil isn't conducted by people who are perverted or sadistic, but by people who are terrifyingly normal, I started admitting things to myself that I'd been avoiding for almost 6 months. I accepted that I could no longer tell myself that it was possible to work for Westwood and consider myself to be working within any degree of ethical standards. That Monday morning, I walked out of the building and never returned.

When I left I had no expectation or reasonable prospect for finding another job quickly. I didn't really think about that. I just thought about how naïve I was when I applied for the job—hoping to help students make a better future for themselves through college. Instead, I left fearing the students I enrolled would end up with a mountain of debt and little or nothing to show for it.

Attachments—Westwood Online Admissions Department Emails

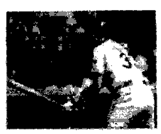
Attachment 1

FW: [redacted]

Subject: Are you ready for some baseball????
From: [redacted]@westwood.edu>
Date: Mon, 24 Mar 2008 14:34:11 -0600
To: "WOLCRAdmissions" <WOLCRAdmissions@westwood.edu>, "WOLCOS" <WOLCOS@westwood.edu>

Batter up,

Champions we have an exciting challenge for those of you that step up to the plate and hit the home run.



The April start is around the corner and the last day to write business is April 6th. Our budget is to start 300 students and we only have 332 gross volume now. Now's the time to write many more quality students, work on transfer-ins and have a fantastic start rate.

So, in order to kick up some dust, any rep with 4+ starts in April and a 45%+ start rate will be invited to a Rockie's game in April or May.

So it's root, root, root for the Champions, if we don't win it's a shame, so it's FAA, Orientation, and POG, to win the game!!!

Howdy Champions!

We're havin' a Round Up!!! 

 During the next 2 weeks we need to lasso 600 more quality May enrollments. That's just 300 this week and 300 next week.

So Saddle up and hit the trail for our May Enrollment Drive Challenge that will go until May 3rd.

 I know its hard work riding the trail, so like any good round up, we're fixin' to have a BBQ to celebrate bringing all those enrollments home.

 So, grab your hat, put on your boots and round up those enrollments.

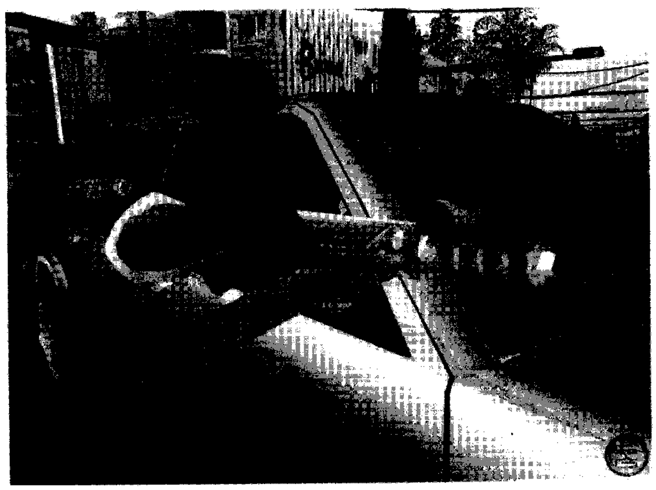
Attachment 2

FW: WOW!!!!!!!!!!!!!!!!!!

Subject: FW: WOW!!!!!!!!!!!!!!!!!!
From: [redacted]@westwood.edu>
Date: Thu, 3 Apr 2008 11:31:08 -0600
To: "wold800" <wold800@westwood.edu>, "WOLCRAdmissions" <WOLCRAdmissions@westwood.edu>

Everyone Hit the DECK!!!!!!!!!!!!!

A Drive BY JUST Occurred!



Thanks to [redacted]!

Hitting WOW!!!!!!!!!!!!!!!!!!!!!!!!! 2nd app of the day!

Attachment 3

RE: ADA Challenge

Subject: RE: ADA Challenge
From: [redacted]@westwood.edu>
Date: Mon, 31 Mar 2008 13:41:36 -0600
To: [redacted]@westwood.edu>, [redacted]@westwood.edu>, [redacted]@westwood.edu>, "WOLCRAdmissions" <WOLCRAdmissions@westwood.edu>

We are all ready for this......

[redacted]

Admissions Representative

Westwood College Online

Direct:(303)41[redacted]

Toll Free(877)817-9525 Ext[redacted]

RE: ADA Challenge

Fax:(303)991[redacted]

[redacted]

From: [redacted]
Sent: Monday, March 31, 2008 1:27 PM
To: Steve Moore; Manuel Martinez; WOLCRAdmissions
Subject: RE: ADA Challenge

We're ready....let's do this!!!

From [redacted]
Sent: Monday, March 31, 2008 11:38 AM
To: [redacted] WOLCRAdmissions
Subject: RE: ADA Challenge

RE: ADA Challenge

WOW!!!! I would enjoy both…the Dinner with the ADA 's AND watching them sing!!!!! But it will only end of being one prize. Which one will it be??? YOU control the outcome!!

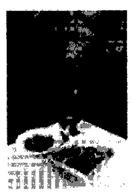
From:[redacted]
Sent: Monday, March 31, 2008 11:14 AM
To:[redacted]WOLCRAdmissions
Subject: ADA Challenge

The ADA Challenge

The ADA 's would like for formally challenge each and every team at Church Ranch. They believe that they can collectively write more apps than any other team this week.

At stake:

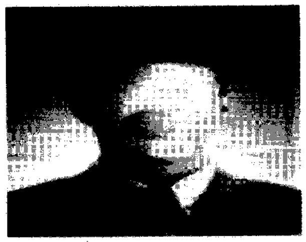
Pride & food : If the ADA 's win – their next ADA meeting will include dinner and drinks



Or

Humiliation : If the ADA 's lose – they have to sing a song (TBD) in front of the rest of CR Admissions

RE: ADA Challenge



Time frame:

This week

To make it fair:

The contest will be based on productivity per rep not overall apps

[redacted] will be keeping tally – thanks [redacted]

Remember – only **ONE** team needs to beat the ADA 's – which team will it be? (and what song do you want them to sing?)

[redacted]

Director of Admissions

Westwood College Online

Direct: (720) 887-8852

Toll free: 877-817-9525 x[redacted]

Fax: (720) 208[redacted]

email: [redacted]@westwood.edu

www.westwoodonline.edu

Attachment 4

From: [redacted]
Sent: Thursday, April 17, 2008 4:11 PM
To: [redacted]
Subject: RE: Westwood Be back Bus

Follow Up Flag: Follow up
Flag Status: Flagged

I thought this was the Westwood bus.....
EMPIRE AT 10

From [redacted]
Sent: Thursday, April 17, 2008 1:51 PM
To: WOLCRAdmissions
Cc: [redacted]
Subject: Westwood Be back Bus

Sopranos just got a hit!!!!!!!!!!!!!!!!!
We're all on board!
Who else is getting on the bus?

Thank you,
[redacted]
Enrollment Support Specialist
Westwood College Online
[redacted]
Toll Free: 877-817-[redacted]
Email [redacted]
www.westwoodonline.edu
Fax: 1-888-812
Hours: Monday, Tuesday, Friday 8am-5pm MST
Wednesday, Thursday 11am-8pm MST

Important Numbers For Financial Aid
Financial Aid Fax Number 1-866-817-9530
Financial Aid Email fawol@westwood.edu

You can also contact:

Enrollment support specialist hotline:
[redacted]

The CHAIRMAN. Thank you, Mr. Pruyn. Senator Enzi has to leave to go to the White House. I'm going to yield to him first for questions.

Senator ENZI. Thank you, Mr. Chairman. I appreciate that. And I'd also ask permission to put a series of charts of information that we gathered on schools and dropout rates in the record.

The CHAIRMAN. OK. Do we have them?

Senator ENZI. I don't think so. I just got this, so.

The CHAIRMAN. They're without——

Senator ENZI. Yes. I'll begin with Mr. Hawkins. What disciplinary actions would the National Association of College Admission Counseling take if one of its members was found to be engaging in a type of behavior revealed by the GAO investigation?

Mr. HAWKINS. Typically, our enforcement is that we could, if our internal admission practices committee found that there was a violation, could censure the member who was in violation. If it was a violation of our ethical principles, could censure them and prohibit them from participating in certain programs, pending a change in the practices or if they deemed it appropriate according to our bylaws, could expel the institution from membership.

Senator ENZI. OK. Now the GAO investigation shows admissions representatives refusing to allow perspective students the opportunity to speak with the financial aid office, how does that differ from admission counseling practices at public and nonprofit schools? Are there legitimate reasons why a school would not provide access to financial aid offices to the students who've either applied, neither applied nor enrolled?

Mr. HAWKINS. I can't think of a reason why an admission officer at a not-for-profit college would not let a prospective student talk to someone in the financial aid office. If no one was in the financial aid office that day would be one thing, but our standard practice for our institutions is to allow students to ask the kinds of questions that they feel they need about financial aid. And many admission officers are prepared to answer those questions. And if they can't, again, standard practice is to walk them over to the financial aid office.

Senator ENZI. OK, thank you. What role do the incentive compensation safe harbors play in encouraging the behavior revealed in that GAO investigation? How will the department's proposed elimination of the safe harbors impact recruiting practices at for-profit schools?

Mr. HAWKINS. The safe harbors carved out a number of exceptions to the original incentive compensation ban. And in our association's opinion, each one of those safe harbors chipped away at the law's ability to be enforced. So the first safe harbor is the one I think is probably the most to blame here. And that is that they poked a little hole in the statute by saying you couldn't base the salary solely on the number of students enrolled.

So if you put some minimal evaluatory criteria out for 10 percent of the—or whatever percent you want to call it—of the admission officer's salary, you could base the other 90 percent on whether they enrolled the student or not. That is essentially commission sales. And that is what Congress sought to outlaw in 1992.

To answer the second question, I feel like the department's proposed rule that would eliminate the safe harbors would really put the teeth back into that statute, and in our opinion, would go a long way toward providing enforceability. And a number of you have mentioned enforceability and how the department can do that. I think this puts the teeth back into it. And combined with greater oversight, it would really tighten things up.

Senator ENZI. Thank you. Mr. McComis, what role do a school's recruiting practices have in the accreditation process? Is there any?

Mr. MCCOMIS. Senator, as I outlined in my written and oral testimony, we have several standards that address recruiting, advertising, and admissions practices.

The goal of those standards is to ensure that the activities that are engaged in by institutions lead to fully informed students, who are able to make enrollment decisions without any pressure, and that they are fully informed before they choose to do so. And it's something that we look at very closely.

Senator ENZI. What actions would the ACCSC take if one of the schools it accredited was found to be engaging in the behavior that was revealed in the videos that we saw in that GAO investigation?

Mr. MCCOMIS. Clearly, based upon the information that was presented there, I'm confident that our board would go into a full investigatory process to try and find out from the institution what were the specific instances and occurrences that went with that. And there are a range of actions that the commission can take with regard to findings. And they range with the severity of the actions. So some of the issues that were presented in the GAO report are certainly more severe than others, particularly with regard to fraud. And the commission has actions ranging from sanctions on programs, up to revocation of accreditation.

Senator ENZI. Thank you. And Mr. Chairman, I thank you for letting me go first so that I can make it to the White House. I appreciate it. I yield.

The CHAIRMAN. Thanks, Senator Enzi. Mr. Hawkins, in your testimony—both written, which I read last night and perused again this morning, but also in your verbal presentation—I made note of the fact that you said that there's enough evidence to suggest that compensating admissions officers based on the number of students enrolled is standard practice. First of all, why do you think that? And what's wrong with that? What's wrong with paying people an incentive for enrolling low-income students?

Mr. HAWKINS. Mr. Chairman, to answer your first question, since the safe harbors have been passed, we've been collecting stories that are readily available in news accounts, State, Federal regulatory actions, and in lawsuits that have proceeded through the courts. We have in our written testimony 10 pages of bullet summaries of this kind of evidence. Combined with what we saw from the GAO today, there's no doubt in my mind that because of the safe harbors, and because of what we see in front of us, there is a preponderance of evidence, in fact, that this practice is pervasive, that it's not one or two rogue people here and there, that this is in fact industry practice.

And of course, the question that I ask is how much more evidence do we need? How many more students are going to have to go through this for us to take some action? So all of that leads me to believe that this is a standard practice.

To answer your second question, we feel strongly that whenever you reduce the basis for compensation for admission officers to a simple commission, you are effectively boiling the students interests out of the equation. Our principles for practice suggest that there is a significant need for counseling. When it comes to low-income students, that need for counseling has never been greater. And that when you do not provide that counseling, the students are starting off at a disadvantage. And worse yet, when you give them misinformation, you are really, really stacking the deck against them.

So we feel very strongly that admission officers should not be compensated based on the commission.

The CHAIRMAN. Thank you very much, Mr. Hawkins. Mr. Pruyn, a couple of preliminary questions. I understand there is a lawsuit by Westwood students being handled by a Florida law firm. Are you personally suing Westwood or seeking money from the school?

Mr. PRUYN. I'm not, no. After I left Westwood, I had obvious ethical concerns about them and reached out to a friend of mine, who's a freelance journalist. And during the course of his research, had uncovered a law firm that was investigating the school. And through him, they had contacted me, but I'm not suing Westwood, and nor do I have plans to.

The CHAIRMAN. If you left Westwood 2 years ago, why are you willing to take the time off of work and from your life to come and tell us about your experiences?

Mr. PRUYN. I would say that it's a minor inconvenience to try to help inform people about what goes on there. I mean, it's so egregious. And personally—I graduated from my undergraduate college with a lot of student debt. So I have a firsthand experience with that. And I guess it makes me a little bit more acute to what it can actually do to a student who graduates with significant student debt. And so, I think it's obviously something that needs to be addressed.

The CHAIRMAN. Mr. Pruyn, we hear a lot of rhetoric about bad recruiting practices being asked of rogue recruiters, the sort of bad apples. Did you ever hear other recruiters say misleading or inappropriate things? And what was the disciplinary policy? Was there any reprimand or discipline for an employee who lied to a student on the phone?

Mr. PRUYN. I never once witnessed anybody be reprimanded or disciplined at all. And supervisors monitored a lot of calls. Everyone was recorded. And you'd match up with your supervisor at least once or twice a week to go over calls and so forth.

And we've also, I mean, it's very much in the open. I remember one person in particular who in my mind was probably the most rogue of anybody, who'd just stand up, and who's very loud, and would just spout off whatever came into his head. He'd tell students they could make over $100,000 at their choice of a video game company after they graduated.

And he would do this and everybody would hear him. But as far as I know, he's never been disciplined, because he never stopped.

The CHAIRMAN. Again, I'm reading some of the feedback from some of the for-profit schools and their representatives, who are saying that basically we have 200,000 people that work in this industry. Of course there's going to be a few out there that do these bad things. So it gets to the issue of, is this coming from the employees or is this something that's coming from the top down? What do you think? Is it just a few bad managers out there? Or is this something higher up coming down through the system itself?

Mr. PRUYN. There's certainly a range of ethics among admissions representatives. There's certainly ones that try to do a good job and are ethical. And there's certainly ones that don't seem to care.

I worked for at least 4 months when—and I had been trained by multiple directors, multiple assistant directors—in my initial training, about how wonderful our gaming program was.

I was told about how we had all these wonderful graduates that went to these different major gaming companies, and these wonderful salaries they're making. And I believe the number was about 85 percent of the students that graduated from the program had a job there and in a video game company.

I assumed these things were true, because they're being taught to me during training and reinforced through coaching for several months. And then one day, I decided to get more specific information. So I went to the career center. And I talked to the woman that ran this little career center with about two or three people. And she told me that, in fact, one of our two gaming programs didn't have a single student that had graduated from it. And the other had three. One of them was a truck driver, one of them was unemployed, and the other did have an interview with a gaming company.

And so, for several months, I was lying to students, telling them that our program was very successful. We used to say it was the Harvard of gaming schools. And, in the end, it was—there was nothing behind it. And that's something that every representative is taught and every representative says. And that's not rogue representatives. That's institutional.

The CHAIRMAN. Thank you very much, Mr. Pruyn. I will come back to this during our second round.

Senator Alexander.

STATEMENT OF SENATOR ALEXANDER

Senator ALEXANDER. Thanks, Mr. Chairman and thank you for the hearing. Mr. Hawkins, as I understand your testimony, if the things that you saw that the GAO presented were brought to you about a specific institution, you said that that might result in anything from censure to expulsion, is that correct?

Mr. HAWKINS. Yes, sir.

Senator ALEXANDER. Dr. McComis, you've got a fairly rigorous set of recruiting, advertising, and admissions standards for your commission. Did I understand you to say that if the information that the GAO discovered was brought to your attention, that that might result in a investigation of that institution, which could lead to a variety of things, including a withdrawal of accreditation?

Mr. MCCOMIS. That is correct, Senator.

Senator ALEXANDER. Mr. Hawkins, you recommend as Secretary Duncan does, reinstating the safe harbor or removing the safe harbor exception to the reform that was made in 1992. I was Education Secretary in 1992 when that was done. What happened between 1992 and 2002? Did it pretty well dry up the practice of incentive compensation?

Mr. HAWKINS. My experience in admission policy at that time is limited. I was not at the association during that time, but my understanding of the issue, and I'm sure the Department of Education would be able to give a better answer, my understanding is that practice did in fact improve, and that the number of actions that the department had to take went down fairly substantially.

Senator ALEXANDER. But it would take us back to the position of there can't be incentive compensation. That would be the rule, right?

Mr. HAWKINS. That's correct.

Senator ALEXANDER. That's your recommendation?

Mr. HAWKINS. Exactly, yes, sir.

Senator ALEXANDER. Dr. McComis, you accredit institutions, more than 800? What percent of the for-profit institutions of the country does your organization accredit?

Mr. MCCOMIS. I don't have that percentage precisely.

Senator ALEXANDER. Most of them or?

Mr. MCCOMIS. I would say, well we accredit 800. So whatever the total population of that is.

Senator ALEXANDER. Well, there are 3,000. You know the number, don't you?

Mr. MCCOMIS. About a third or so.

Senator ALEXANDER. Yes. And what percent of the students attend those institutions?

Mr. MCCOMIS. Our census count is about 250,000 as of June 2009.

Senator ALEXANDER. For all for-profit institutions or just the ones you accredit?

Mr. MCCOMIS. Just for our accredited institutions.

Senator ALEXANDER. Yes. So generally speaking, for-profit institutions are a large number of institutions—about 3,000 of the postsecondary institutions we have in the country, but a relatively small part of the students, about 9 or 10 percent of all the students in postsecondary education in the United States are in for-profit institutions? And is it correct that most of them are low-income or they're predominantly low-income, minority students and somewhat older than other postsecondary students?

Mr. MCCOMIS. Our demographic data that we collect would support that.

Senator ALEXANDER. Is it your impression, Dr. McComis, that the problem here is a lack of rules or a lack of enforcement of the rules?

Mr. MCCOMIS. Most likely it's a lack of enforcement, but it could be a combination of both. I don't know the accreditation standards for every agency. I know that many agencies like my own have very rigorous standards, particularly those that have a predominance of for-profit institutions within their membership. But it's likely a combination of both of those.

Senator ALEXANDER. Are there other accreditation agencies other than yours that accredit for-profit institutions?

Mr. MCCOMIS. Yes.

Senator ALEXANDER. How many others?

Mr. MCCOMIS. Six others at the national level. And then, each one of the regional accreditors also have some population of for-profit institutions.

Senator ALEXANDER. But the way I read your standards, they're pretty tough about recruitment. And if any of the things that we're talking about were done, a school where they violate it, the school could have a tough time keeping its accreditation?

Mr. MCCOMIS. That is correct, Senator.

Senator ALEXANDER. Yes. Mr. Chairman, if I could get your attention just for a moment. I'm going through the accreditation. I found something out, when I was Education Secretary 20 years ago, in that the Education Secretary accredits the accreditors basically. In other words, Dr. McComis was saying there are six or seven accrediting institutions that are for-profit institutions. And there are 3,000 for-profit institutions you might choose among. And here, standards looks to me like they are pretty tough.

So, one avenue for dealing with the problem you've outlined, Mr. Hawkins has suggested one. Go back to the 1992 ban on incentive compensation. But another one is to go to work on the accrediting agencies a little bit. Secretary Duncan may very well choose to do so, and say we're going to rely more on you. I think you almost invited that in your comments. You said you'd be willing to work with us if the committee and the Congress is worried about this, that we could work with the accrediting agencies, tighten up the rules and prove investigations have more enforcement. Is that correct?

Mr. MCCOMIS. Yes, Senator.

Senator ALEXANDER. My time is up, Mr. Chairman, but as I think about this in this light, We've got 6,000 higher education institutions in the country. Together, they're the best system in the world. I mean, we altogether. That's one of the things the United States does well. I think one reason is because they're autonomous. People have a choice of those institutions. They can go to a national auto diesel college, or they can go to Harvard, or they can go to University of Iowa, or wherever they choose to go. And the money follows them.

Now whenever that happens, though, you're going to have some problems. And we've seen some today. So I think as almost every Senator has said, we want to make sure when we do something about this, that we separate those who are doing the job of helping achieve the President's goal of increasing the college graduation rate. And we don't shoot quail with a cannon, in other words, and miss the quail and hit some innocent people.

Or to use another analogy, if you have somebody singing out of tune on the Grand Ole Opry, you don't cancel the Opry. You cancel the act. So in looking for a way to cancel the act, I'm thinking that working with the accreditors is a very promising opportunity, because we really rely on them to make sure that the institutions are right. And if they're looking at things like graduation rates, student loan default rates, job placement rates, even passage into professional exams, and if they're enforcing the recruitment efforts, and we also go back to the 1992 rule on compensation incentive that Secretary Duncan has recommended, that those would be two steps that could make a big difference in achieving the goal that I think you set out for the hearing. Thank you for your attention and for your time.

The CHAIRMAN. Thank you, Senator.

Senator Franken.

Senator FRANKEN. Thank you Mr. Chairman. Mr. McComis, in your testimony you say that your agency has established "rigorous standards" to ensure the schools you accredit "recruit and admit only those students who are accurately and fully informed about the institution's programs and who are qualified and capable of completing the program in which they intend to enroll."

Yet three of the schools found to be engaging in deceptive recruitment in the GAO report are accredited by your agency. And also Westwood is accredited by your agency. There seems to be a discrepancy here.

What are these rigorous standards that you use to ensure that schools that you accredit, recruit and admit only students who are accurately and fully informed about the institutions?

Mr. MCCOMIS. Senator, as I provided in the written testimony, the list of standards that you have there are the actual standards that we require of our institutions—that they only engage in ethical practices and ensure that they do not make misstatements to students.

They require that institutions only engage in ethical practices and ensure that they do not make misstatements to students. That they do not make guarantees. That they ensure that students are provided with sufficient information such that they understand the program requirements.

Senator FRANKEN. I don't think you're quite answering my question. You say that you have rigorous standards to ensure that the schools you accredit, recruit and admit only those students who are accurately and fully informed. I understand that the fact that they have to be accurately and fully informed is one of your standards.

I'm asking you what your rigorous standards are to ensure that the schools you accredit, recruit and admit only those students who are accurately and fully informed about the institutions when we've seen that three of the schools that you have accredited were involved in giving false information and inaccurate information to prospective students who were not fully informed about the institutions, or the institution.

Mr. MCCOMIS. So the processes that we use then for that assurance process is one whereby through a very high touch accreditation onsite evaluation requirements that we have within our institutions. Annual reporting of student achievement outcomes, robust complaint processes, robust interaction in the triad are all methods that we use to find out whether or not any of those rigorous standards have been violated.

Senator FRANKEN. And why do you believe—how do you explain the discrepancy then? That these three schools, that you accredited, were misleading to the GAO prospective students that came in? In other words, rigorous means rigorous. And yet, to me, this doesn't seem like there was much rigor in your process.

Mr. MCCOMIS. So certainly I think it's fair to say that our agency is, I guess to quote Senator Mikulski, a bit crabby about this. That we would find institutions that are engaged in activities that might look like clear violations of our standards. And the important part of that process now is that we investigate that fully and that we sanction the institutions appropriately.

Senator FRANKEN. Do you think perhaps that maybe your rigorous standards aren't rigorous enough?

Mr. MCCOMIS. I don't think that's the case Senator. I think that the standards themselves are——

Senator FRANKEN. OK, to me there is a real discrepancy here. Because you describe saying in your testimony, the rigorous standards to ensure that the schools accredit only those schools that recruit and admit students who are accurately and fully informed. And yet, we see that the 3 schools that you accredited in this group of 15 didn't do that.

So what I'm saying to you is, I think that your rigorous standards aren't rigorous enough. But you think they are. And I don't know how you think they are. Doesn't this industry—what bothers me—I know my time is up, but let me ask one last question. Doesn't this industry have any interest in self-policing itself?

Mr. MCCOMIS. I believe that it does Senator and I think that accreditation——

Senator FRANKEN. Is there any evidence that you can provide me, that your industry has any interest in self-policing itself?

Mr. MCCOMIS. The best evidence that I can provide to you is my 16 years of experience in working in the accreditation industry, particularly with for-profit institutions and seeing rigorous self-policing through that process.

Senator FRANKEN. And yet, what clearly was not rigorous you described as rigorous.

You said that you have rigorous standards to ensure that schools you accredit, recruit and admit only those students who are accurately and fully informed about the institution's programs. And we saw that the three schools that you accredit misled the people that came in there.

I asked you about that, and you said that you were satisfied with the rigor of your standards. That just seems to be, on its face, clearly wrong. And I'm sitting here—I have a responsibility to the taxpayer, OK? I have a responsibility to the taxpayer.

And I'm supposed to take solace from you from your experience in this business when you're the one that just told me that what was clearly not rigorous is rigorous enough? Explain to me why I should believe you?

Mr. MCCOMIS. I believe that the standards themselves are rigorous. In these particular instances, the schools' compliance with those standards certainly fell short.

Senator FRANKEN. You don't understand what the standards are. You are saying you have rigorous standards to ensure that the schools you accredit recruit honestly. I'm not talking about the standards you have that they do recruit honestly. It's your standard to ensure that they recruit honestly. That's the standard I'm asking you about. And you said you were satisfied with the rigor on that. I don't know how you can be.

Mr. MCCOMIS. Yes, as I indicated in the conclusion of my oral statement. You know certainly our Commission and hopefully other accreditors will certainly look at this and find whether or not there can be greater vigilance put forth. I agree with that.

Senator FRANKEN. Thank you. I'm sorry to go over.

The CHAIRMAN. Thanks Senator Franken.

Senator Bennet.

Senator BENNET. Thank you Mr. Chairman. Mr. Pruyn I want to start with you by first saying thank you for coming all this way from Colorado for this testimony and for your courage in speaking out. I wanted to ask you a question that has been asked of other panel members. Which you talked about the effect of the training on your pitch and so forth.

I wondered whether you'd share with the committee your view about whether the incentive structure, the way you were paid and others were paid, contributed or didn't contribute to the pitches that were made. Would changing the incentive structure have made a difference do you think? What are your thoughts on that?

Mr. PRUYN. It would help to a degree for sure. But, there's a lot that goes in to why the culture is there. Certainly the incentives motivate some people. But as they're dangling a carrot with one hand they have the axe in the other. I mean for quite a while I wasn't enrolling many students at all.

And, I was on probation and threatened with my job on a regular basis. So there's that piece. A lot of it is just lies that are withheld from the representatives themselves. You know there were programs at Westwood that were not—while the school was accredited, the program itself wasn't accredited.

One example is our paralegal program. I didn't know that for months of working there. I could give examples like that where I found something out close to the time I quit, all day. And that, that sort of information isn't provided to the representative. So changing the way a representative is compensated I don't think will have any effect on that, on that portion of the problem.

Senator BENNET. Just to go back to the incentive for a second. When you said it would help, it might help a bit.

Mr. PRUYN. Yes.

Senator BENNET. Why would it help? And if you really don't think it would help to change it, to tell me that too. I want to hear your honest thought about it.

Mr. PRUYN. It would help, but I don't think it would fix the problem.

Senator BENNET. OK.

Mr. PRUYN. I think it would help because some of the representatives that are more—rogue, I guess you could say, are really motivated by that piece. And so I think it would help rein in some of the more egregious claims. But I still think the fundamental problem is still going to be there.

Senator BENNET. Thank you. Thanks again for being here. Dr. McComis, do you think, just to pick up on where Mr. Pruyn took my question, which was—rather than the direction I was headed which is always a good thing because you learn things. To what extent can some of the issues that he's raising be solved through better public disclosure of these issues that we're confronting?

For example, the idea that they'd have programs, his testimony would suggest, that were not accredited even though the school is accredited. Is that sort of information publicly available and widely available?

Mr. MCCOMIS. The differences between programmatic and institutional accreditation——

Senator BENNET. As an example.

Dr. MCCOMIS [continuing]. As an example?

Senator BENNET. I mean of the kind of information that anybody would want to know before they even picked up the phone to call Westwood and say, "you know, I'm thinking about your program."

Mr. MCCOMIS. It would likely take a little bit of digging by a consumer or prospective student to get to that. I don't know that I would say that it's necessarily readily available.

Senator BENNET. Would you say that it's as readily available as the equivalent information for public institutions?

Mr. MCCOMIS. Yes. In either instance it's—in this particular case, what you're referring to, is to what degree does the institution itself decide to disclose that information.

So if I wanted to know about whether or not a gaming program or some other kind of program was programmatically accredited, the institution's lack of disclosure has to lead the student to assume that it's not accredited.

What we're mainly focused on is when the school does use claims of accreditation that they accurately describe that status and the agency by which its institution or program is accredited.

Senator BENNET. I think I'd make the opposite assumption probably, as a student. That if the school were accredited that that meant that the programs were accredited. But it doesn't matter. The question is, it seems to me it's in everybody's interests, the students, the schools, the taxpayers certainly, that people have access to this kind of information.

It just feels to me, in these hearings, as though it's not out there in a way that makes sense to people. And it would have, I would think, based on what Mr. Pruyn and others have said, have the effect of making it harder to do the kind of stuff we were watching on the television earlier.

One last question Mr. Chairman, thank you so much. I just wanted for you, Doctor, to describe—just to come back to something that Senator Franken was talking about. Can you tell the committee a little bit what the onsite part of your accreditation process looks like? What does it look like when you're on the ground at a Westwood or any of the other schools that you accredit?

Mr. MCCOMIS. The process begins through the attendance at an accreditation workshop whereby then the applicant to agency or institution submits a self-evaluation report. Which is essentially our standards of accreditation in a question format. Then the institution will need to go through and answer those questions and provide documentation and description about how they comply with those standards.

The role of the onsite evaluation team is to go through and evaluate the information that's provided in that self-study, do some sampling and some testing to ensure its veracity to the extent that they're able to. The team is comprised of subject matter specialists for each one of the program areas, education specialists and management specialists for that kind of institution.

The self-evaluation report is the key document that they use in going through that process as well as reviews and interviews, onsite. A report is then generated from that. We'll list any findings of noncompliance and the institution will have an opportunity to respond to that. All that information then goes in front of our Board and they make a final decision relative to the application.

Senator BENNET. How long—Mr. Chairman, thank you. Can you give me a sense, I've seen this in the K–12 context, not in a higher education context, the length of time that that onsite visit takes place generally?

Mr. McCOMIS. Generally the average enrollment in our school is under 300 students. So we can typically do an onsite evaluation in about 2 days.

Senator BENNET. OK. And then just by order of magnitude in terms of the process of gathering the accreditation information that you have and then responding to the institution saying, we've detected the following problems before you take it to recommend it to the Board.

Can you just give us a sense, by order of magnitude of how often you actually do go back and say, we've got this list of issues that have concerned us and then you're not satisfied by the response that comes back from the institution and therefore you can't recommend the accreditation?

Mr. McCOMIS. Well we've taken 12 adverse actions in the last 2 years against institutions. But that's the most extreme. So if an institution goes through and submits a response to a team report that has findings on noncompliance, they'll have an opportunity to respond to that.

The Board could take a variety of actions. They could defer final action on that and try to get more information. They could place the school into a probation phase, again, through investigation.

Senator BENNET. How many have been put on probation over the last 2 years?

Mr. McCOMIS. Oh I think we, on average, have somewhere between 6 and 10 institutions on probation at any time.

Senator BENNET. And this is out of a total of how many?

Mr. McCOMIS. Eight-hundred institutions.

Senator BENNET. And how often are they reviewed?

Mr. McCOMIS. The maximum accreditation cycle is 5 years. It's 3 years maximum for schools that are receiving their first grant——

Senator BENNET. I'll stop you, but the 12 and the 6, if you look at—well let's stick with the 12. The 12 that lost their accreditation over the last 2 years, that's out of how many accrediting examinations that you did over that period of time? Because it's not 800, right?

Mr. McCOMIS. No, we don't do 800 a year.

Senator BENNET. Right.

Mr. McCOMIS. So we would probably do somewhere in the neighborhood of 125 renewal onsite evaluations. And approximately another 150 or so of other kinds of evaluations for substantive change or unannounced or other investigations.

Senator BENNET. I'd like to thank the panel and thank you Mr. Chairman for letting me go over.

The CHAIRMAN. All right Senator Bennet. Dr. McComis, let me follow-up on that a little bit. When you do these onsite evaluations, as you said to Senator Bennet, and you take action on 6 to 10 over the last couple of years or something like that—was the figure I heard. Six to ten?

Mr. McCOMIS. No, he asked me how many were on probation.

The CHAIRMAN. Yes. And then you said on others that you take action against them. And let's just take the probation. That's not the entire school, that's just the site, is it not?

In other words, if you went to a location for the University of Phoenix and you found an offense and you put them on probation, you don't put the whole University of Phoenix on probation, you just do that one site? Is that correct?

Mr. MCCOMIS. That is correct.

The CHAIRMAN. OK, so it's the location. So whatever you put them on probation for might be going on someplace else but you just put that site on probation.

Mr. MCCOMIS. We have instances, however Senator, where we have put entire systems on probation.

The CHAIRMAN. And you'll provide that to this committee?

Mr. MCCOMIS. Yes sir.

The CHAIRMAN. I'd appreciate that. Now Mr. Hawkins, I heard Dr. McComis say something that caught my attention on a question I believe that was asked by Senator Franken. That the same information is provided to prospective for-profit students and other college students.

Is that what you said Dr. McComis? I think Senator Franken asked you, he said do you feel that the same kind of information is provided to prospective for-profit students as other college students. And I believe your answer was, yes.

Mr. MCCOMIS. I thought that what the Senator was asking me was regarding disclosures relative to accreditation status in programmatic versus institutional. Regardless of the institution you go to it depends on what that institution chooses to disclose and how they choose to disclose it.

There's no requirement in our standards that you have to disclose programmatic accreditation. Although, I can't imagine why you wouldn't as long as you did it truthfully and accurately.

The CHAIRMAN. Mr. Hawkins, what happens when a student wants to go to a private or nonprofit college, one of the ones that you are involved in and they ask for that kind of information about finances and accreditation and all that. What does the school say? Do they say you have to sign up first?

Mr. HAWKINS. No, that information is supposed to made readily available. Particularly about financial aid and the cost. Admission officers from the very junior admission officers, that we call our "road warriors"—they go to high school and visit students, all the way up to the Dean and VP of enrollment—are pretty well versed in all the types of information that a student and their family might ask for.

So that information is generally readily available. And as I said earlier, if they have questions that the admission office can't answer, standard practice again is to forward those types of questions to the people on campus who might be able to answer them, such as the financial aid office.

The CHAIRMAN. So Dr. McComis, I see a clear delineation here between what the for-profit schools are doing and the schools that Mr. Hawkins covers in terms of how they answer student inquiries into finances, accreditation, and all other information. It seems to me a lot different.

They seem to have a set of standards that they follow. And what I hear from you is, well each school kind of does it differently.

Mr. MCCOMIS. Senator I was only referring to whether or not they choose to disclose accreditation status or not. With regard to all of the other instances that you've laid out, certainly it is our expectation that students are fully informed of all obligations prior to signing any kind of enrollment agreement.

And that would include tuition, fees, all of the policies, the program objectives, the opportunities that the program leads to. Everything that we require to be disclosed to students through the catalogue and through the enrollment agreement.

The CHAIRMAN. We had in our last hearing, a young woman who had gone to a for-profit school, spent a lot of money, went quite a bit into debt. She was told it was accredited but when she graduated she couldn't find a job because the for-profit school was accredited but the program that she was in was not, and she was not told that. And so a student goes to a school, they call up and say "are you accredited", and they say, "sure". But they don't give them all the information.

Mr. MCCOMIS. You know in that particular case Senator I think that if there needed to be disclosure about the need to graduate from a programmatically accredited program in order to obtain employment, that institution had an obligation to inform the student as such.

The CHAIRMAN. Well they had an obligation, but they didn't do it. Dr. McComis again, your written testimony focuses extensively on your use of student outcomes to judge school quality.

According to calculations by my staff, you accredit more than 41 institutions with 3-year cohort default rates of 30 percent or higher. That means that at 41 schools, where you evaluate quality, more than 3 in 10 students default within 3 years of leaving school.

That includes ATI Technical Training Institute of Dallas, where the default rate was 49.5 percent. I have a whole list of them here. At Lincoln Technical Institute of Philadelphia, 42.2 percent defaulted within 3 years. And yet these are accredited by you. So what does that say about the quality of these schools?

Mr. MCCOMIS. We certainly have standards relative to student loan repayment. And we don't just apply those standards in terms of Federal financial Aid. Our standards apply to any kind of loan repayment obligations that students receive, should receive a fair amount of counseling that goes along with that to ensure the repayment of those loans.

We also monitor student loan defaults at our institutions and place them into monetary mechanisms if they reach certain thresholds. We don't necessarily look at default rates, themselves, as a direct indicator of the quality of education that's provided by that institution.

The CHAIRMAN. So you don't look at default rates as an indication of the quality of the education? Is that right? Is that what you just said?

Mr. MCCOMIS. That is correct. We use other metrics such as graduation rates, employment rates, where applicable passing exams for State—for certification, other indices of student learning.

The CHAIRMAN. So student default rates, let me get this straight, just don't factor into your accreditation process?

Mr. MCCOMIS. I didn't say that Senator.

The CHAIRMAN. What did you say?

Mr. MCCOMIS. I said that we have standards that deal with student loan repayment, but we don't use it as a primary indicator of quality of education.

The CHAIRMAN. Well is it a secondary or a tertiary indicator?

Mr. MCCOMIS. We have standards that deal with it. And we look at whether or not institutions are fulfilling their obligations to assist students and providing them with information about their loan repayment obligations.

The CHAIRMAN. So this doesn't seem to bother you and your association that you have 41 schools here that have default rates of over 30 percent in the first 3 years? Would that require you to look at these schools or maybe go out and do some more evaluations? Or do you just sort of look at that and say, "Well that's what they say it is?"

Mr. MCCOMIS. Those rates would certainly put them into a monitoring mechanism.

The CHAIRMAN. Are you monitoring these schools? Are you monitoring ATI Technical Training Institute of Dallas?

Mr. MCCOMIS. I don't think that those rates are the official rates that have been distributed as of yet.

The CHAIRMAN. I'm told by my staff that these rates came from the Department of Education last fall.

Mr. MCCOMIS. The way that the rates——

The CHAIRMAN. But if they came out last fall, you've had since last fall to look at them. Now I'm asking you, have you taken any action or investigated or done something about these 41?

Mr. MCCOMIS. Those are based on, I believe, the 3-year default rates.

The CHAIRMAN. Yes.

Mr. MCCOMIS. Now we're currently still using the 2-year default mechanism for our monitoring.

The CHAIRMAN. So you only do 2-year?

Mr. MCCOMIS. Currently, because that's what the law has been up to this point.

The CHAIRMAN. Yes, because it's going up to 30 percent as you know.

Mr. MCCOMIS. Exactly, and so we've already looked at and our Board has already begun to talk about, as the law changes and the regulations change, we will change our monitoring mechanisms to accommodate that.

The CHAIRMAN. So again, this doesn't say anything to you about the educational quality of those schools?

Mr. MCCOMIS. In our data, we found no correlation necessarily to indicate that it is a—default rates are directly, statistically correlated to the quality of education. We find there to be a much more substantial connection between graduation rates and employment rates.

The CHAIRMAN. Dr. McComis, in your written testimony, again you make note of the fact that you have standards on recruitment, admission processes, and advertising. Again, I'm interested in how you uphold those standards. The numbers that you provide demonstrate that over the prior 2 years you conducted 629 onsite evaluations.

And that was also in response to Senator Franken's question, 629 onsite evaluations. You did not find any "substantial noncompliance by our institutions." That's in your written testimony. GAO randomly sampled three of your institutions and had adverse findings at all of them.

How am I supposed to reconcile those two different versions? You visit them, you say you didn't find any substantial noncompliance. GAO randomly sampled three and had adverse findings at all of them. How do I reconcile those two facts?

Mr. MCCOMIS. The process that we use for onsite evaluation I think is different from the way that the GAO has investigated. I'm not sure that our standard process would find substantially the kinds of fraud that the GAO has alleged has occurred.

The onsite evaluation process through accreditation starts from a vantage to work with those institutions to understand their practices and for them to describe those practices and give us an opportunity to see those occur. We don't secret shop our institutions to see what they're recruitment practices are. And so in the normal course of an onsite evaluation I'm not sure that we would find those particular occurrences.

Now having said that, the findings that we do have, particularly with respect to advertising and recruitment come to us from a variety of sectors, as I've indicated. So we rely not only upon what the school tells us but hopefully what we find out from our member partners in the triad, States and Federal Government, and also through student complaints.

And use that information quite rigorously to understand the activities that occur at our institutions in those interim periods between our onsite evaluations. As I believe all accreditors should.

The CHAIRMAN. So Dr. McComis if your process, and I say this by the way, as the Chairman of this committee I think it's become I think apparent to me that we need a hearing on accreditation and what that means.

But if your process doesn't detect readily apparent fraud, who's protecting the students and the taxpayers? We rely upon the accreditation people, that's what I thought. So if your evaluations don't even uncover fraud, who can we go to to protect the taxpayers and the students?

Mr. MCCOMIS. I think the Congress purposefully set up a triad system because accreditation first and foremost, is a system designed to evaluate quality of education, not to detect fraud. There are other opportunities within the triad for that to occur.

The CHAIRMAN. I beg your pardon, quality education has nothing to do with fraud? It seems to me that fraud has a lot to do with a quality education.

Mr. MCCOMIS. Senator, what I meant to say is——

The CHAIRMAN. Maybe I'm wrong.

Mr. MCCOMIS. The first and foremost goal of accreditation is the evaluation of the educational quality at the institution. Certainly if we find fraud within that process we're going to act upon it.

The CHAIRMAN. But again, your onsite evaluations didn't detect one. You said we had no substantial noncompliance. GAO sampled three and found adverse findings at all three of them. I'm still trying to understand.

Mr. MCCOMIS. We survey findings of noncompliance.

The CHAIRMAN. I'm getting the sense you don't do the kind of investigations that GAO does.

Mr. MCCOMIS. That is correct.

The CHAIRMAN. You kind of go to the school and ask them what they're doing and they tell you and you just say fine. It seems like you accept the school's word on what they're doing.

Mr. MCCOMIS. We look at other evidence points as well to support that information through, again student surveys. As I've indicated, the surveys that we did just over the last 2 months indicated a very high rate of student satisfaction within those processes. We rely heavily on that kind of information that we receive.

The CHAIRMAN. Again I saw that. I read that in your testimony last night when I was going through it on these student surveys. But I didn't see how those students were picked and whether or not those students also included students who had dropped out. Or are these just students who successfully completed the program?

Mr. MCCOMIS. They are students——

The CHAIRMAN. I need to know what the mix of those students are.

Mr. MCCOMIS. Those are students that are currently enrolled at the time of the onsite evaluation. They are conducted in-person at the time that we are there.

The CHAIRMAN. OK. So no students that dropped out were interviewed?

Mr. MCCOMIS. That is correct.

The CHAIRMAN. In your written testimony Dr. McComis, you say that,

> "accreditors must hold institutions accountable to ensure that only the highest level of integrity is injected into the student recruitment and admissions process.
>
> "Moreover, all higher education institutions and their accreditors must understand the connection between recruitment and admissions processes and student achievement outcomes."

Let me repeat that because it gets to what we were talking about earlier.

You said that accreditors, that's you,

> "must hold institutions accountable to ensure that only the highest level of integrity is injected into the student recruitment and admissions process. Moreover, all higher education institutions and their accreditors must understand the connection between recruitment and admissions processes and student achievement outcomes."

That seems to me to have something to do with the quality of the education about which you just spoke.

Can you explain how the practices observed by GAO in schools you accredit are consistent with the highest level of integrity in the student recruitment and admissions process? How are they consistent with what you just said? Accreditors must hold institutions accountable to ensure that only the highest level of integrity is injected into the student recruitment and admissions process. Well how can these practices observed by GAO be consistent with the highest level of integrity?

Mr. MCCOMIS. Clearly, the GAO report puts forth some troubling practices. And I believe that those institutions need to be investigated and held accountable. There are findings of non-compliance with standards, non-compliance with law, violation of regulation, those institutions must be held accountable.

The CHAIRMAN. Dr. McComis, how many accrediting institutions are there in the United States that accredit for-profit schools? How many different accrediting agencies accredit for-profit schools?

Mr. MCCOMIS. I believe there are 13.

The CHAIRMAN. Thirteen. Thirteen. And Mr. Hawkins, how many accreditors are there for the private, the nonprofit and the public schools?

Mr. HAWKINS. That's a question I actually don't know the answer to sir.

Mr. MCCOMIS. And Senator, just to make clear the issue there of when I gave you the number 13, there are some that do predominately for-profit and then the regional accreditors do both not-for-profit and for-profit.

The CHAIRMAN. Six of the twelve companies that were visited by GAO have some campuses accredited by the ACCSC. Three of these companies were visited twice. Anthem College in Springfield, PA, ATI Career Training Center in Dallas, Everest College in Mesa and Dallas, Kaplan College, Riverside and Pembroke Pines, West Tech College in Ontario, Westwood in Dallas.

Seven other Westwood campuses are accredited by you. Thirty-eight other Everest College Campuses are accredited by you. Three other Anthem Colleges are accredited by you. Twenty-seven Kaplan College campuses are accredited by ACCSC. So what are you going to do about these?

Mr. MCCOMIS. Certainly as I've already expressed, we're very interested in finding and gathering additional information from that GAO report, looking at ways that we can begin an investigation now that the disclosure of the institutions has been brought forward. We will certainly be forwarding this information to our Board to begin the processes that we have for these kinds of complaint reviews.

I think it's important to know, and I'll go back, we have in the past taken action that began at a single campus or a number of campuses, and when we've seen that there seems to be a systemic problem we have placed the entire system on probation. I think largely if we were to find something similar in these instances our Board would look to take a similar kind of action.

The CHAIRMAN. How old is ACCSC? How old is your institution? How long has it been in existence?

Mr. MCCOMIS. Since 1967 as an accrediting body recognized by the Department.

The CHAIRMAN. Since 1967. How many people work for ACCSC?

Mr. MCCOMIS. I think currently we have 32 full-time employees.

The CHAIRMAN. Thirty-two? There are 32 employees, you accredit 629 schools, you do onsite evaluations. Do you contract that out or something?

Mr. MCCOMIS. No Senator.

The CHAIRMAN. You do all of these evaluations with 32 employees?

Mr. MCCOMIS. And a cadre of volunteers as well.

The CHAIRMAN. Pardon?

Mr. MCCOMIS. A cadre of volunteers as well.

The CHAIRMAN. Volunteers?

Mr. MCCOMIS. Yes.

The CHAIRMAN. From where?

Mr. MCCOMIS. As with most accrediting bodies the volunteers come from the education sector, they come from the employment sector for subject matter specialist, and they come from other accrediting institutions.

The CHAIRMAN. So you might get volunteers from the institution that you are evaluating?

Mr. MCCOMIS. No Senator. You would never send anybody that had any kind of conflict of interest with the institution that you are evaluating.

The CHAIRMAN. So no volunteers would come from an institution that you were evaluating?

Mr. MCCOMIS. No Senator.

The CHAIRMAN. They would come from someplace else?

Mr. MCCOMIS. Yes, and typically we try to bring them from out of State so that there is no conflict with regard to competition, try not to find volunteers that would have any other kind of a conflict that might exist along those lines.

The CHAIRMAN. I think that we need to look into it more. Now ACCSC, you receive your income how? How do you pay for what you do? Where do you get your money?

Mr. MCCOMIS. The sustaining fees of our organization come from the member institution and from user fees.

The CHAIRMAN. From where?

Mr. MCCOMIS. User fees. Those are fees that are paid to us when an institution applies for a new program or a new branch campus, there's a fee that's associated with that application. The sustaining fees are based upon gross tuition revenue, annually.

The CHAIRMAN. So the institutions you accredit pay for you to do their accrediting?

Mr. MCCOMIS. That is correct.

The CHAIRMAN. I do think we need to look into that some more. Mr. Pruyn, what did it cost to go to Westwood?

Mr. PRUYN. An Associates Degree was approximately $40,000, a Bachelor was approximately $75,000 depending on the program.

The CHAIRMAN. What portion of the students that were paying those higher amounts, say $75,000 were attending online?

Mr. PRUYN. All of the students that I helped enroll were online students.

The CHAIRMAN. What were you trained to tell people about the cost at Westwood? And how did the people you worked with handle the cost issue?

Mr. PRUYN. Our official training would have us tell students that the cost were, we would phrase it in terms of per term. So we would say the cost per term is approximately $4,800 per term.

The problem with that is that often times the student will automatically assume there's only two or three terms like a traditional school, and there is in reality, five per year. And so it can mislead the student on the total cost.

Representatives each had their own methods of explaining the cost. And there was no—I've never seen—the method on telling you is how we were initially trained. Once you get into individual coaching and you're on the sales floor, that deviates widely.

And when I struggled to enroll students, one of the things I was told was that the way I explained the cost of the school and financial aid wasn't very effective. Because I was saying that the school costs $75,000 for a Bachelors Degree. I was told to emulate other representatives who had various tricks or would just straight up lie about the cost of the education.

The CHAIRMAN. What did you do if a student asked to speak with someone in financial aid?

Mr. PRUYN. They were absolutely not allowed to speak with someone in financial aid. What you saw in the video is pretty much identical. Because that would come up fairly frequently and our response was that, this is step one of the process, you can't jump to step two.

We would absolutely not let them talk to someone in financial aid. The reason I was given for that policy was that we just simply can't overburden our financial aid staff. And when that happens, what you saw in the video is basically them pressuring the student into making that up front commitment with the application fee and signing their enrollment documents.

What we would have done is use information about that student to use back at them. So you heard them say—I can't remember what exactly that director of admissions said, but we would say similar things like, "well I thought you wanted to make a change," I think is actually the phrase they use in the video, and we would use that same terminology or that same methodology to push a student to first sign their enrollment documents before they had a discussion with financial aid.

The CHAIRMAN. Dr. McComis hearing this, I understand that you accredit Westwood.

Mr. MCCOMIS. We do have some Westwood campuses that we accredit, yes.

The CHAIRMAN. Do you accredit this one in Colorado?

Mr. MCCOMIS. We do.

They have chosen to leave my agency. They are currently accredited though they're in a deferral status with us. They've chosen to make an application with another agency.

The CHAIRMAN. But during the time that Mr. Pruyn was there, you did accredit them?

Mr. MCCOMIS. We do—we still do accredit them.

The CHAIRMAN. You still do accredit them.

Mr. MCCOMIS. Yes.

The CHAIRMAN. I guess I'm still a little concerned that you do onsite evaluations. This seemed to be pervasive at this campus. I mean it wasn't just one person, it was everyone. And you said, as I kept repeating, that in your written testimony you said that, "the highest level of integrity injected into the student recruitment and admissions process." How could you do onsite evaluations at Westwood when this was so pervasive and not see it?

Mr. McComis. We had that campus operating under a Show Cause Order. We were very concerned about the outcomes at that institution. We placed them on Show Cause. They responded by indicating that they were going to cease enrollment in six of the eight programs that we had identified as being low outcomes. I believe that the low outcomes were indicative of the kinds of practices that are being discussed here.

After that action was taken, Westwood indicated to us that they had chosen to make application to another agency. They told us directly that it was because they were unable to meet our standards particularly with regard to student achievement. I think that's indicative of a problem throughout with regard to accreditation shopping and the opportunity for that to occur. And I would encourage the committee to look at this as a particular issue.

I'd also like to just follow-up on the last point that you had made with regard to membership dues. All accreditors receive their sustaining fees, membership dues from their accredited institutions. It is an opportunity for that self-policing peer review evaluation process to ensue. It doesn't matter whether you're a for-profit or not-for-profit.

The Chairman. Yes, I'm going to look into that. That seems to me to be a situation that would be rife with a kind of a conflict if I'm inspecting somebody and they're paying me to inspect them and they can leave my organization and go someplace else and take their money someplace else.

Mr. McComis. Well I think that accreditation shopping is a—I mean there are very legitimate reasons why it happens, particularly with regard to transfer of credit. Because, as we've even talked about here today, that there are some discriminatory practices with regard to transfer of credit.

The Chairman. I guess I still come back to the fact that with all of this stuff going on at Westwood, you still accredit them. Why didn't you just see this during an onsite evaluation and say, "we're taking your accreditation away." Bang, just like that. Why can't you do that? You can't do that?

Mr. McComis. I don't know that we identified the specific instances, nor did we have evidence of the specific instances that were brought forward in this particular hearing. We certainly have identified issues that have led us to have concerns about their outcomes.

The Chairman. Well I'd be wondering why your onsite evaluation didn't pick that up. Just like the other 41 that I mentioned here that have a high cohort default rate.

Mr. Pruyn, again I just wanted to get back to one other thing here. And that is, this idea that there are just a few bad apples out there. I keep hearing that all the time, that you have to separate the bad actors from the good.

I asked you a question earlier about whether this was just at the managerial level at a site, or was it something higher up that was filtering down through the organization. And the reason why I focus on that is to help us determine whether or not there is a systemic problem in the for-profit situation. Or is it really just a few bad apples?

I'm going to show this chart right here because this just came in to us yesterday from the largest for-profit school in America. And we all know which one that is, University of Phoenix. This is a copy of the instructions, I had it put on a chart so people could see it, it came from the University of Phoenix to their recruiters and their people that sign up students.

> "Creating urgency, getting them to apply now. Remember students don't buy benefits, they buy to ease or avoid pain. Finding and burrowing into that pain moves the sale to a close. Also the close of the sale is really just the beginning."

That doesn't come from some employee. That comes from the top, the University of Phoenix, the largest of the for-profit colleges.

That's why I keep wondering about whether or not we are talking about a few bad apples or are we talking about the entire orchard being contaminated by a business model that churns students, that provokes the kind of recruitment and unethical conduct that we saw through the GAO because of the need, both to increase profits, to answer to Wall Street and expectations for earnings, and also the easy availability of taxpayer money.

Now my generation, when I was a young man we had a lot of for-profit schools. The 1950s, 1960s, 1970s, these schools provided an avenue for kids who didn't want to go to a 4-year college to get an engineering degree or a liberal arts degree, but they wanted an occupation.

We had these schools that at that time, taught women to be secretaries and stenographers and nurses assistants, and taught men to be welders and truck drivers. That's sort of blended now, but that was the idea, that not every student was suited for a 4-year college general degree but they could do an occupation.

And quite frankly a lot of these for-profit schools did a good job in that area but also in the 1960s, 1970s, 1980s in transitioning the workforce in America. A workforce that was moving from one type of employment to another type.

These were older people, older workers, maybe their skill set was no longer needed and they needed to learn a new skill set. These for-profit schools provided that and helped us transition from one economy to another. But that was then.

Today we see a different system and setup with these for-profit schools. Because at that time we didn't have so may Pell grants and guaranteed student loans. But there were instances, starting in the 1980s of for-profit schools incentivizing enrollments.

That led to the Nunn Commission. And Senator Nunn's hearings that he held at that time led to the Higher Education Act of 1992, in which it was absolutely forbidden to have incentive payments for recruitment.

Well then less than 10 years later, an Administrative Ruling, and Mr. Hawkins, you pointed this out in your testimony. It wasn't legislation passed by Congress, an Administration issued a ruling providing for 12 safe harbors. Which as you said, and I wrote your statement down, you said basically gutted what we had done in 1992 to close incentive compensation.

I was interested to note in your testimony that the Inspector General at that time did not concur with that action taken by the Department. And the fact that you or others had asked for information under a Freedom of Information Act, the reasons for the IG not concurring and you were denied access to that information. That raises all kinds of questions.

But nonetheless, the floodgates were opened again. And now, with Congress putting more money into the Pell grants. As I said, over the next 10 years $300 billion will go into the program. And we see now what's happening in the for-profit schools and this is what alarmed us in the first place.

Nine percent of the students in higher education are in our for-profit schools. They're consuming 23, almost 24 percent of the Pell grants, and that's going up, escalating, and they have 44 percent of the default rates. Get that?

Nine percent of the students, 24 percent of the Pell grants at an ever-increasing rate, 44 percent of the default rates. And to me it seems that when we talk about recruitment and things like that some say, "well private colleges they do advertising, they do recruiting." It's true they do, but at the end of the line they don't have to meet Wall Street expectations on earnings. They don't have to pay shareholders or private investors. So they don't have those kinds of incentives.

So it seems to me what we have done with this industry, or what's happened to the industry is that with the easy availability of Pell grants and increased Pell grants and guaranteed student loans, and with incentive payments, and with a kind of almost a cloak of secrecy about what their graduation rates are. We don't know what the graduation rates are in the for-profit schools. We just don't know.

I mentioned in my opening statement about how many thousands of students this one school had as of March 31, 21,000 more were added in April, May, and June. But at the end of June they only had 143 more students. That's got to raise some questions. And also with what Mr. Pruyn said, they had the 14-day thing.

Well we know that, if a student's there 60 percent of the time for the term they get to keep the money. So that's why you had that 14-day rule. So you stay there 14 days, they don't care what happens to you, you walk away they keep the Pell grants.

And guess where that goes? Does that go to help other students? No. Maybe some of it does but a lot of it goes to pay for very high paid administrators and executives. And a lot of it goes to pay investors, profits into either the public arena or into the private investor arena.

So when we look ahead we say, "look, education is too important for the future of this country. Education is too important for our students." And facing the budget problems that we have in the next 10 years, we just can't permit more and more of the taxpayers' dollars that are supposed to go for education, and quality education to go to investors on Wall Street. And I might add more and more of the student debt that these students have racked up, to be going to pay shareholders or private investors because they want to increase their profits. I can't blame them. I mean that's the profit motive.

But it seems like what we've done here is we have privatized the profits and socialized the risk. Which is what we saw in the sub-prime lending problem that we had. That's why I'm concerned about this area. I think that's why a lot of us are concerned about this.

And I will say that tomorrow I will issue a request for information and document requests to 30 for-profit schools. I believe the information I am requesting will help us form a more full picture than we have at this time. It's nearly impossible to figure out graduation rates. I want to know.

I want to know what that one school I talked about in my opening statement, I want to know what happened to those 20,000 students that enrolled but that didn't show up in June. Where did they go? How much churning is taking place among students in order to get the Pell grants. You get the student loans they've paid in and the students are out.

I guess there's a lot of these things in these videos that appalled me. But the one that got me the most I think was when the individual that worked for the school said, "this is not like a car loan, they can't come after you." Or the one recruiter that said, "well I have all this debt I owe to the University of Florida and I don't intend to pay it back."

Here's the difference between the sub-prime problem that we had, the mortgage problem, or the car loan and student loans. That person was right, student loans and car loans or mortgage loans are completely different. You see if I have a debt that's on a car I walk away from the car. If I have a debt on a mortgage I can walk away from the house. But a student who has debt can't walk away from that debt. They never, never can walk away.

It is not dischargeable in bankruptcy or any other way. That debt follows that student the rest of that student's life until it's paid off, with interest. They could come after your Social Security checks, believe it or not if you have defaulted on your student loans. They can come after your paychecks.

They can garnish your paycheck when you get a job later on. You're married, you got two or three kids and you're trying to make ends meet and all of a sudden the government comes in and takes some of your money back. It's being done today. So there is a difference. And the difference is students cannot get rid of those debts. And I don't know how many of them really know that, or what the interest rates are.

I'd like to thank each of our witnesses for being with us today. We'll leave the record open for 10 days. Witnesses may submit statements for the record or supplemental statements. I think what we have seen today from the GAO and our witnesses is very concerning.

Let me just repeat, in 15 of the 15 schools that GAO investigated they found instances of fraud, deceptive practices, or made misleading statements to prospective students—15 out of 15. This is unacceptable. Especially when the students these schools are serving need the greatest help. These are our lowest income students. Maybe they don't have parents that went to college that would say, wait a minute let's take a look at this, let's examine this, and then they sign up, and the school gets the Pell grants.

That's another misnomer, the students think they get the Pell grants, it goes to the school. So they come from the lowest income families, and yes, they want a better life. I continue to be amazed by the questionable and sometimes outright illegal practices occurring in this for-profit sector that Mr. Pruyn talked about.

Again I say that, critics say it's only a few bad apples. But again I question, is the entire orchard contaminated, to use an analogy. Does something need to be done systemically, to make the for-profit institutions viable and an asset to society rather than a debt to these students and our taxpayers.

So, as I said, I will issue a request for information and documents tomorrow. And I believe I might even issue more later on. And I will tell you that we will have additional hearings in September, not in October, probably in November and maybe in December.

I intend to follow this trail to wherever it leads to get as much information as possible. Because we have to get to the bottom of this. And Mr. Hawkins, you mentioned the fact that the Department is issuing new regulations now.

Well I put out a statement yesterday saying fine, it's a nice first step. But that's a regulation. Another administration could come in and overturn that regulation. I'm not certain regulations will suffice. I believe, and I think where we're headed, is very clear cut legislation that can't be overturned by another administration. That can't put in "safe harbors" and say it complies. But really tightly designed legislation to correct these practices.

And quite frankly, because of the testimony this morning and the information that we get into our committee, I believe Dr. McComis we are going to have to take a look at accreditation and different accrediting agencies, how they work, what they can do, what their power is and how they fit into this overall structure of making these schools accountable for what they're doing. So you may be back here again. I don't know but we're going to look at the accreditation process also.

The hearing of the HELP Committee is adjourned and we'll have another hearing, at least one in September.

Thank you all very much.

[Additional material follows.]

ADDITIONAL MATERIALS

PREPARED STATEMENT OF SENATOR BENNET

Mr. Chairman, thank you for having this hearing today. I want to start by emphasizing that the big picture here is the need to increase access to quality, affordable higher education opportunities; especially for low-income students. We need institutions that bring students who have historically been left out of higher education into the fold. For-profit universities have filled in gaps left by more traditional colleges and universities, and they have an important role to play in helping us remain competitive in the 21st Century.

However, the government should not support institutions that bring students into programs and do not provide them with a quality education, or fail to provide accurate information about costs and outcomes. There is absolutely no excuse for fraudulent behavior or misleading students about the quality of education they are going to get, or defrauding the government.

I'm extremely concerned about the well-documented evidence being presented today that there is a widespread problem with recruitment practices at many for-profit universities. We should hold those wrongdoers accountable, and then determine what needs to be done to prevent this kind of exploitative behavior from recurring.

RESPONSE TO QUESTIONS OF SENATOR ENZI, SENATOR HAGAN AND SENATOR ALEXANDER BY GREGORY D. KUTZ

U.S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO),
WASHINGTON, DC 20548,
September 10, 2010.

Hon. TOM HARKIN, *Chairman,*
Committee on the Health, Education, Labor, and Pensions,
U.S. Senate,
Washington, DC 20150.

Hon. MICHAEL ENZI, *Ranking Member,*
Committee on the Health, Education, Labor, and Pensions,
U.S. Senate,
Washington, DC 20150.

Subject: *Posthearing Responses to August 4, 2010, Hearing on For-Profit Schools: The Student Experience*

On August 4, 2010, we testified before your subcommittee at a hearing entitled *For-Profit Schools: The Student Experience*. This letter responds to your request that GAO respond to a number of post-hearing questions. The questions and our answers are provided in the enclosure. The responses are based on work associated with previously issued GAO products, which were conducted in accordance with generally accepted government auditing standards and investigative standards from the Council of the Inspectors General on Integrity and Efficiency. We did not obtain comments on our responses from the Department of Education.

If you have any further questions or would like to discuss these responses, please call me on (202) 512–6722.

GREGORY D. KUTZ,
Managing Director,
Forensic Audits and Special Investigations.

SENATOR ENZI

Question 1. What is the role of accrediting agencies?

Answer 1. In order to participate in certain Federal programs, such as Federal student aid programs authorized under Title IV of the Higher Education Act of 1965, postsecondary institutions must be accredited by an agency recognized by the Department of Education (Education). Accreditation is designed to ensure that schools provide basic levels of quality in their educational programs. Accrediting agencies develop evaluation criteria to assess the quality of educational programs at schools and conduct peer reviews to assess whether or not those criteria are met. For example, accreditors must have standards for assessing institutional and/or programmatic quality in areas such as student achievement, admissions, curricula, faculty, facilities, student support services, and fiscal and administrative capacity. Accrediting agencies are, for the most part, private educational associations of regional or national scope. These accreditors, along with Education and State oversight agencies, are part of what is often referred to as the "triad" of Federal, State, and private entities that oversee postsecondary institutions. An accreditor's decision to approve accreditation for an institution of higher education can extend up to 10 years.

Question 2. What is the role of accrediting agencies in regulating the recruitment practices of institutions of higher education?

Answer 2. All institutions of higher education that participate in the title IV programs must be accredited by an accrediting agency recognized by Education. The standards that accreditors use to assess schools must also address recruiting and admissions practices, academic calendars, catalogs, publications, grading, and advertising, records of student complaints received by, or available to, the accreditor, and records of compliance with the institution's program responsibilities under Title IV of the HEA,[1] among other requirements.

Question 3. What is the Department of Education's role in regulating the recruiting practices of institutions of higher education?

Answer 3. Education is responsible for overseeing Federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. In this role, Education is responsible for enforcing the statutory ban against incentive compensation which prohibits schools that receive title IV student aid funds from providing ". . . any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the award of student financial assistance . . ." The ban applies to all schools, including private, for-profit institutions as well as public and private nonprofit schools. In our February 2010 congressionally mandated report on incentive compensation, we found that between 1998 and 2009 Education substantiated incentive compensation violations at 32 schools and entered into settlement agreements with another 22 schools.[2] We plan to issue a follow-up report in fall 2010 on Education's enforcement of the incentive compensation ban.

In addition to enforcing the ban on incentive compensation, Education is responsible for enforcing the statutory ban against schools misrepresenting the nature of their educational programs, financial charges, or the employability of their graduates (section 487(c)(3)(A) of the Higher Education Act of 1965). As with other violations of statute or regulation, Education may fine schools or limit, suspend, or terminate their participation in Federal student aid programs for misrepresentation or violations of the incentive compensation ban.

Question 4. According to your testimony, schools are required to make certain disclosures regarding graduation and/or completion. What exactly do schools have to disclose regarding graduation or completion rates and how must they make that disclosure. Please provide a reference to the statutory provisions you believe were violated during GAO's investigation.

Answer 4. Pursuant to 20 U.S.C. § 1092(a)(1)(L), institutions that participate in title IV are required to produce and make "readily available upon request, through appropriate publications, mailings, and electronic media" to any prospective student the "completion or graduation rate of certificate- or degree-seeking, full-time, undergraduate students entering such institutions." Furthermore, under § 1092(a)(3), the

[1] These records should include information based on the most recent student loan default rate data provided by the Secretary of Education, the results of financial or compliance audits, program reviews, and any other information that the Secretary may provide to the agency.

[2] Higher Education: Information in Incentive Compensation Violations Substantiated by the U.S. Department of Education, GAO–10–370R, February 23, 2010.

completion or graduation rate must cover the 1-year period ending on August 31 of the preceding year, and must be made available to prospective students prior to the students enrolling or entering into any financial obligation.

The Department of Education has promulgated regulations, such as 34 CFR § 668.41(b)(2) and (d)(4), that further clarify this requirement. Specifically, the regulations state that institutions may satisfy their disclosure requirements by posting the information on a Web site.

Prior to July 1, 2010, the language that is currently in § 668.41(d)(4) was contained in § 668.41(d)(3). The pre-July 1 language more closely mirrored the language of 20 U.S.C. § 1092(a), by stating that "an institution must make available to any enrolled student or prospective student, on request, through appropriate publications, mailings or electronic media, information concerning" several different pieces of information, including the institution's completion or graduation rate.

Effective July 1, however, new regulations removed the words "on request" from the regulation. In its rulemaking, Education explained that, even though the statute contains the words "upon request," it chose to remove "on request" because of its conclusion that institutions could simply refer students who asked for a completion or graduation rate to their Web site that contained this information. Specifically, Education explained that "institutions typically compile and make the information available on their Web sites, but possibly in paper form as well. Consequently, [Education] view[s] the inclusion of the phrase "upon request" to mean that this information is readily available to students who wish to see it. As a matter of course, students coming to an institution's Web site to learn about the institution should be able to find this information, and students inquiring directly may be referred to the Web site or provided with the information on paper." 74 Fed. Reg. 55,902 (Oct. 29, 2009). For this reason, in our testimony we specifically noted when completion or graduation information was available on the Web sites of the colleges we visited, and further explained that those that did list the information on the Web sites were in compliance with Education regulations.

The method by which institutions must calculate completion or graduation rates is explained in 20 U.S.C. § 1092(a)(3)–(7). In summary, a student must be counted as a completion or graduation if, within 150 percent of the normal time for completion of or graduation from the program, the student has completed or graduated from the program, or enrolled in any program of an eligible institution for which the prior program provides substantial preparation. Institutions may exclude from this calculation students who leave to serve in the Armed Forces, on official church missions, or with a recognized foreign aid service of the Federal Government (such as the Peace Corps). Educations regulations at 34 CFR § 668.45 further clarify the proper method to calculate completion or graduation rates.

Finally, institutions have additional completion and graduation rate disclosure requirements that are applicable to current students and prospective student-athletes that may receive athletically related student aid. Our undercover tests were not designed to test these scenarios, and thus we have not fully analyzed the legal framework that would apply.

Question 5. According to your testimony, Federal statutes and regulations require colleges to make available information on financial assistance programs to all current and prospective students. Please explain your understanding of what constitutes information on financial assistance programs and how this differs from a financial aid package.

Answer 5. The terms "financial assistance program" and "financial aid package" are not specifically defined in title IV statutes or regulations. "Financial aid package," in fact, is never used in title IV statutes, and appears only once in regulations (34 CFR § 668.59(c)(1)(ii), which deals with the consequences of a change in financial aid application information). Use of the term "financial assistance program" in our testimony was intended to cover all financial assistance-related information in statutes and regulations which institutions are required to make available to any prospective student.

Specifically, pursuant to 20 U.S.C. § 1092(a)(1)(A)–(F) and (M), institutions that participate in title IV are required to produce and make readily available upon request, through appropriate publications, mailings, and electronic media to any prospective student a number of financial assistance-related pieces of information. These include: the student financial assistance programs available to students who enroll; the methods by which such assistance is distributed among student recipients who enroll at such institution; any means, including forms, by which application for student financial assistance is made and requirements for accurately preparing such application; the rights and responsibilities of students receiving financial assistance; the cost of attending the institution (including tuition and fees, books and supplies, estimates of typical student room and board costs or typical commuting costs, and any additional cost of the program in which the student is enrolled or expresses a specific interest); the requirements of any refund policy with which the institution is required to comply and the requirements for the return of grant or loan assistance provided; and the terms and conditions of the loans that students receive under title IV. Under § 1092(c), each institution is required to designate employees who “shall be available on a full-time basis to assist students or potential students in obtaining” the financial assistance-related information described above.

Furthermore, pursuant to § 1092(d), Education must make available to institutions information regarding Federal student assistance programs in order to assist students in gaining information through the institutions and to assist institutions in carrying out their responsibilities. Under the statute, “such information shall include information to enable students and prospective students to assess the debt burden and monthly and total repayment obligations that will be incurred as a result of receiving loans of varying amounts under” title IV. Institutions must also determine each specific student's eligibility for free; under 20 U.S.C. § 1094(a)(3), institutions are required to enter into program participation agreements with Education, one provision of which prohibits the institution from charging any student a fee for processing or handling any application, form, or data required to determine the student's eligibility for assistance under title IV or the amount of such assistance.

Finally, Education has promulgated regulations that further implement the above, including 34 CFR § 668.42.

Question 6. During your “secret shopper” investigation, how many admissions representatives did the undercover students meet with and at which schools? How many financial aid representatives did the undercover students meet with and at which schools?

Answer 6. During our investigation we visited a total of 15 schools. We visited each school at least twice, once posing as a student eligible for Pell grants and subsidized student loans, and once posing as a student with a $250,000 inheritance and a salary high enough to disqualify the student from receiving Pell grants and subsidized loans. Sometimes our fictitious students were told by campus representatives to return on another day. In these cases, we visited the campus twice, under one scenario. Our aim was to speak with both an admissions representative and a financial aid representative at each school. This was not possible in all cases. For example, at some schools we asked to speak to a financial aid representative but were not able to because a financial aid representative was not available. At other schools, our student was told they had to enroll in the school before speaking with financial aid. In total we spoke with 32 admissions representatives and 14 financial aid representatives. We did not use outside sources to confirm the job positions the representatives held.

The following table provides details on the number of admissions and financial aid representatives spoken to during undercover tests.

State	Case Number	Number of admission representatives with whom student spoke	Number of financial aid representatives with whom student spoke
AZ	Case 1, applicant 1	1	0
AZ	Case 1, applicant 2	1	0
AZ	Case 2, applicant 1	1	1
AZ	Case 2, applicant 2	1	1
CA	Case 3, applicant 1	1	1
CA	Case 3, applicant 2	1	1
CA	Case 4, applicant 1	1	0
CA	Case 4, applicant 2	1	0
DC	Case 5, applicant 1	1	1
DC	Case 5, applicant 2	1	0
DC	Case 6, applicant 1	1	1
DC	Case 6, applicant 2	1	1
FL	Case 7, applicant 1	1	1
FL	Case 7, applicant 2	1	1
FL	Case 8, applicant 1	2	0
FL	Case 8, applicant 2	2	0

State	Case Number	Number of admission representatives with whom student spoke	Number of financial aid representatives with whom student spoke
IL	Case 9, applicant 1	1	0
IL	Case 9, applicant 2	1	0
IL	Case 10, applicant 1	1	0
IL	Case 10, applicant 2	1	0
PA	Case 11, applicant 1	1	0
PA	Case 11, applicant 2	1	0
PA	Case 12, applicant 1	1	0
PA	Case 12, applicant 2	1	1
TX	Case 13, applicant 1	1	0
TX	Case 13, applicant 2	1	1
TX	Case 14, applicant 1	1	1
TX	Case 14, applicant 2	1	1
TX	Case 15, applicant 1	1	0
TX	Case 15, applicant 2	1	1

Question 7. During your testimony, you described how your undercover students signed up on Internet lead generators to be matched with schools offering programs they were interested in. You testified that the undercover students subsequently received numerous calls from a variety of schools. You illustrated the frequency of calls with the "Hi Amy" video. However, your video provided no information about the content of the calls. Please provide the following information about the calls arising from the use of the lead generator by the undercover students. What are the names of the schools that placed calls to the undercover students? How many times would each school call? How long did the conversations between the schools and the undercover students last? What type of information did each of the schools that called provide in their phone conversations with the undercover students? Did any of the undercover students ask not to be called again? Did any of the schools call again if the student asked not to be called? Did only schools offering programs the student expressed interest in place calls?

Answer 7. We were not able to confirm the identities of some schools contacting our undercover students because the representatives did not identify where they were calling from in a voicemail or because we were unable to trace the call back to a specific individual or business. However, we were able to confirm that the following schools called our undercover students: American InterContinental University, Anthem College Online, Art Institute, Ashford University, Bryant & Stratton College, DeVry University, Herzing College, Jones Companies, Jones International University, Kaplan University, Keiser University, Laureate Ed Inc., Liberty, Miller-Motte Co, My Little College, Pennsylvania Culinary Institute Le Cordon Bleu, Redstone, Strayer University, University of Maryland University College, University of Phoenix, Virginia College, Western Governors University, and Westwood College.

The following table documents at least how many times a school/entity called each student. If the cell is blank, then the student did not receive a phone call from the school/entity. In some cases, students received calls, but we were unable to identify who called.

College/entity name	Student 1	Student 2	Student 3	Student 4
American InterContinental University			15	
Anthem College Online				5
Art Institute		1		
Ashford University			48	
Bryant & Stratton College			11	
DeVry University				7
Education Management Corporation		1		
Herzing College			2	13
Jones Companies			1	4
Jones International University			25	10
Kaplan University				20

College/entity name	Student 1	Student 2	Student 3	Student 4
Keiser University	....	....	19	....
Laureate Ed Inc.	....	....	5	....
Liberty	....	....	15	....
Miller-Motte Co	....	....	....	54
My Little College	....	....	1	....
Pennsylvania Culinary Institute Le Cordon Bleu	....	4	....	....
Redstone	....	....	....	3
Strayer University	....	....	21	5
University of Maryland University College	....	....	5	....
University of Phoenix	....	....	....	25
Virginia College	....	12	....	....
Western Governors University	....	....	6	....
Westwood College	....	....	....	1
Unknown Callers	3	54	8	32
Total	3	72	182	179

When schools representatives called our undercover students, the initial phone call was not answered. Schools did, on occasion, leave voice mails which lasted on average 30 seconds. In the voice mails, the school representative typically stated his/her name, the school he/she was affiliated with, the program he/she was calling about, and a call back telephone number. Our undercover students did call back several schools. The call back conversations lasted for approximately 15 minutes. During these conversations, the school representative discussed the student's current situation, why the student wanted to enroll in the program, and program details such as program length and types of classes. In addition, some school representatives asked the student to come in for a campus visit to further discuss enrolling. None of the students asked the schools not to be called back. According to the voice mails, only schools offering programs the student expressed interest in placed calls.

SENATOR HAGAN

Question 1. Given the prevalence of abuses in the relatively small sample of schools you investigated, is it your belief that these questionable practices are widespread throughout the for-profit industry? As the "congressional watchdog," tasked with investigating how the Federal Government spends taxpayer dollars and advising Congress on ways to make government more efficient, effective and ethical, what comes next for GAO? Do you intend to make specific recommendations to Congress?

Answer 1. Our work was not designed to be able to project the results of our undercover tests to the entire population of for-profit colleges, and therefore we cannot make a definitive statement about the prevalence of abusive practices throughout the industry. However, given that all 15 schools we visited engaged in some type of questionable behavior, and given the numerous allegations of abuses occurring at other for-profit colleges that we have received subsequent to the hearing on August 4, it is clear that the problems we identified are likely not limited to the schools we visited.

In addition, GAO does not have specific recommendations for Congress or the Department of Education (Education) as a result of our investigation. However, during corrective action briefings with Education, GAO and Education officials discussed our methodologies and potential ways that Education personnel could perform similar tests in order to increase compliance with existing regulations. We have referred the four cases of fraud to the Department of Education Office of Inspector General. We will be referring information from all 30 visits to the Department of Education for program staff to review. Based on a review of existing laws and regulations associated with title IV funds, many of the abusive and questionable behaviors exhibited by for-profit college personnel, such as the failure to disclose program graduation rates, are already covered by existing law. Therefore, in many cases efforts to ensure greater compliance with existing laws and regulations may be necessary.

Question 2. While your report indicates that schools are required to present tuition information upon request, has the GAO examined whether existing Department of Education guidelines are sufficient to ensure that this information is presented in a clear and accurate manner?

Answer 2. GAO has not examined whether Education's guidelines as specified in 34 CFR 668.43 are sufficient to ensure that information about tuition is provided to students in a clear and accurate manner.

Question 3. Has the GAO examined whether there are sufficient guidelines in place to ensure that this information is READILY available to prospective students?

Answer 3. GAO has not examined whether there are sufficient guidelines in place to ensure that information about tuition is readily available to prospective students.

Question 4. Has the GAO examined enforcement mechanisms at the Department of Education to ensure that taxpayer dollars are used to support only institutions that are complying with the law? How might we improve the agency's ability to enforce these rules?

Answer 4. We have reviewed Education's monitoring and enforcement efforts in several areas. Specifically, we have examined Education's oversight of schools with regard to enforcement of Federal student aid eligibility requirements and compliance with the ban on inducements.

In 2009, we reported weaknesses in Education's oversight of student eligibility requirements.[3] In particular, we found vulnerabilities in Education's oversight of the ability to benefit test process, which enables students without a high school diploma or GED to gain access to Federal student aid funds if they pass a test of basic math and English skills. In addition, we found that Education did not provide guidance to prevent Federal student aid funds from going to students with fake high school diplomas. Accordingly, we made recommendations to Education to improve oversight in these areas.

In 2007, we found that Education lacked oversight tools to proactively detect violations of the ban on improper gifts or inducements between student loan companies and schools.[4] Consequently, we made recommendations to improve Education's oversight of lenders and schools. Congress recently terminated the authority to make new loans under the Federal Family Education Loan Program.

Question 5. Has the GAO prepared an assessment of financial aid counseling at non-profit institutions?

Answer 5. We have not conducted a broad assessment of financial aid counseling. However, our work completed at non-profit institutions has considered what has been done to assist students in understanding the various Federal student aid options for financing their postsecondary educations. For instance, in 2007, we reported on the challenges Asian Americans and Pacific Islanders face in completing postsecondary education degrees.[5] To help students overcome these challenges, we found that some non-profit institutions provided additional financial aid counseling to this group of students. Additionally, when we reviewed options for simplifying the application process for financial aid in 2009, some GAO study group participants told us that any simplification efforts needed to be accompanied by increased outreach to the States and the general public on college affordability, aid eligibility, and the process of applying for financial aid.[6]

SENATOR ALEXANDER

Question 1. What conditions would you need to apply to be able to make this a representative sample that could provide extrapolations beyond the schools you surveyed? Would it be possible for you to conduct a similar review of non-profit institutions of higher education using the same methodology to determine if these practices are limited to one sector or the other? What would the methodology for that project look like?

Answer 1. In order to be able to extrapolate the results of similar tests, several steps would need to be taken. At a minimum, schools would have to be selected at

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[3] Proprietary Schools: Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid, GAO–09–600, August 17, 2009.

[4] Federal Family Education Loan Program: Increased Department of Education Oversight of Lender and School Activities Needed to Help Ensure Program Compliance, GAO–07–750, July 31, 2007.

[5] Higher Education: Information Sharing Could Help Institutions Identify and Address Challenges Some Asian Americans and Pacific Islander Students Face, GAO–07–925, July 25, 2007.

[6] Federal Student Aid: Highlights of a Study Group on Simplifying the Free Application for Federal Student Aid, GAO–10–29, October 29, 2009. In addition, in 2009 we recommended that the Department undertake similar outreach efforts to States and high schools for the purposes of announcing targeted grants for students (see Federal Student Aid: Recent Changes to Eligibility Requirements and Additional Efforts to Promote Awareness Could Increase Academic Competitiveness and SMART Grant Participation GAO–09–343, March 25, 2009).

random. Given that there are approximately 2,000 for-profit colleges, operating in 50 States and the District of Columbia, it is possible that a random sample would require site visits in all 50 States and DC. In addition, the number of schools tested would likely have to be increased significantly in order to create an acceptable confidence interval for test results, and a standard set of questions would have to be asked at all tested locations to ensure comparability between the different schools tested. Given the fluid nature of undercover testing and our experience with certain schools not allowing students to obtain answers concerning financial aid questions, a statistical sample with projectable results would require a substantial increase from the scope, timeframes, and resources associated with the investigative results presented at the August 4 hearing.

In addition, if requested to do so, GAO could conduct similar undercover tests at non-profit colleges offering bachelors degrees, associates degrees, and certificates. GAO has not researched all requirements for admissions into the various public and private non-profit colleges, but based on our general understanding, at least some 4-year non-profit colleges require extensive application processes and have many more applicants than classroom seats available. This situation is different than many for-profit colleges that operate under an open enrollment policy which allowed our investigators to apply for admissions and be accepted in the same visit. Therefore the methodology for testing non-profit colleges could differ substantially.

Question 2. The Department of Education has recently proposed regulations on misrepresentation to crack down on misleading advertising, misrepresentation by an institution, and other forms of fraud that hurt students and the taxpayer. Do you think that these proposed regulations will prevent the types of misrepresentation that your investigators have discovered?

Answer 2. Although GAO is not in a position to comment on the proposed rules, we believe that it is important for Education to take steps to strengthen its oversight in this area.

RESPONSE TO QUESTIONS OF SENATOR ENZI, SENATOR HAGAN, AND SENATOR ALEXANDER BY DAVID HAWKINS

SENATOR ENZI

Question 1. What is the role of an admissions officer?

Answer 1. The primary function of an admission officer/counselor is to counsel students and families through the admission process, from search to selection and enrollment, aiming to match students' talents, interests, and abilities with an institution. Admission officers meet with students individually or in small and large groups at on-campus visitation events and at high schools and college fairs to communicate information about the admission process in general and the details about admission to their institution. Providing general information, the level of which is determined by the students' knowledge of the college admission process, and institutional details enables students to begin determining if a college/university will match their goals and be a good "fit." While admission officers generate interest to create an application pool for their institution, they focus on the interests of the student during the admission process and counsel students on fit, even if it means directing students to another institution.

In addition to representing the institution to students and families, admission officers work to establish relationships with secondary school counselors and community-based organizations in their assigned recruitment territories and local communities by providing information that will help the students served by those professionals learn about their institutions when working to find the right fit for postsecondary education.

Establishing internal relationships at the college/university is equally important in counseling students through the admission process. Full admission offices and individual admission counselors communicate frequently with offices of student financial aid, academic affairs, student life, housing, and the registrar; the exchange of information enables admission counselors to provide updated and accurate general information to students and families, as well as know where to direct students with detailed and specific questions for each of these offices. Such questions include those regarding cost and financial aid options, program offerings and faculty, involvement opportunities, and academic advising and course selection.

Admission counselors review applications for purposes of selecting an appropriate class for the institution. Factors used in the process help counselors craft a class by selecting students who are predicted to be successful at the institution and return each year through degree completion and graduation.[1]

Admission counselors also provide administrative support, based on their interest and area of expertise, to office operations, such as work in communications and publications, event planning, data management and analysis, institutional strategic planning, and institutional committees.

In our written testimony to the committee, we attached the NACAC Statement on the Counseling Dimension of the Admission Process at the College/University level. For the committee's purposes, this statement, which we link again below, represents a critical element of the admission process that is largely absent in the current for-profit admission business model.

NACAC Statement on the Counseling Dimension of the Admission Process at the College/University Level: *http://www.nacacnet.org/AboutNACAC/Policies/Documents/StmtCounsDimAdPrcsCol__UnivLvlNEW.pdf.*

Question 2. What is the role of a financial aid officer?[2]

Answer 2. Financial aid administrators (FAAs) coordinate Federal, State, institutional and private sources of aid, ensuring that eligibility criteria are met, students' financial need is met, and overawards are avoided. This process is generally known as "packaging" and includes formulating costs of attendance. FAA responsibilities include verifying, when required or otherwise necessary, the family's financial data on the Free Application for Federal Student Aid (FAFSA). FAAs also counsel students regarding financing options and terms and conditions of aid. FAAs exercise professional judgment to adjust normal expectations for family contributions and costs of attendance if a family's circumstances deviate from the usual and warrant such treatment. FAAs also ensure that reporting requirements to the Department of Education are met and that allocations are fully and properly utilized.

Question 3. Please describe the circumstances under which an admissions officer may take on the responsibilities of a financial aid officer.

Answer 3. In practice, the functions of admission and financial aid officers are largely separate. Exceptions include senior-level managers who may serve as dean of admission and financial aid, or vice president for enrollment management and financial aid. In addition, admission counselors may be asked questions by students and families about financial aid. Admission officers are well-versed in general information pertaining to aid, and will often refer families to financial aid officers if the questions are of sufficient detail or complexity.

Generally speaking, admission and financial aid are separate professions and require different expertise. Good practice and ethical considerations dictate a degree of separation between recruitment and financial aid functions.

Question 4. What types of financial aid information are required to be provided to prospective students? Does this require schools to provide prospective students with estimates on specific amounts of aid that may be awarded?

Answer 4. Federal title IV regulations require disclosure of certain financial aid information to prospective and current students, as shown below. Although criteria for selecting aid recipients and determining the amount of a student's award must be disclosed, an estimate of specific amounts of aid for a given student is not required; in many cases, it would not be possible or even desirable to do so unless the student has specifically applied for aid and a financial aid package has been developed.

Schools typically include allowable ranges of aid (minimum, if there is one, and maximum) in student consumer information. Schools typically send tentative or actual award packages to students who have been accepted for admission, recognizing that financial assistance is one of the essential factors a student uses to decide where to attend. Once an aid award (package) is sent, regulations under cash management rules require additional information, also cited below.

PART 668—STUDENT ASSISTANCE GENERAL PROVISIONS

Subpart D—Student Consumer Information Services

Sec. 668.42 Financial assistance information.

(a)(1) Information on financial assistance that the institution must publish and make readily available to current and prospective students under this subpart

[1] For more information on factors in the admission decision, see *NACAC State of College Admission* report, 2009.

[2] Responses to Senator Enzi's questions nos. 2–5 were completed in conjunction with the National Association of Student Financial Aid Administrators (NASFAA).

includes, but is not limited to, a description of all the Federal, State, local, private and institutional student financial assistance programs available to students who enroll at that institution.

(2) These programs include both need-based and non-need-based programs.

(3) The institution may describe its own financial assistance programs by listing them in general categories.

(4) The institution must describe the terms and conditions of the loans students receive under the Federal Family Education Loan Program, the William D. Ford Federal Direct Student Loan Program, and the Federal Perkins Loan Program.

(b) For each program referred to in paragraph (a) of this section, the information provided by the institution must describe—

(1) The procedures and forms by which students apply for assistance;

(2) The student eligibility requirements;

(3) The criteria for selecting recipients from the group of eligible applicants; and

(4) The criteria for determining the amount of a student's award.

(c) The institution must describe the rights and responsibilities of students receiving financial assistance and, specifically, assistance under the title IV, HEA programs. This description must include specific information regarding—

(1) Criteria for continued student eligibility under each program;

(2)(i) Standards which the student must maintain in order to be considered to be making satisfactory progress in his or her course of study for the purpose of receiving financial assistance; and

(ii) Criteria by which the student who has failed to maintain satisfactory progress may re-establish his or her eligibility for financial assistance;

(3) The method by which financial assistance disbursements will be made to the students and the frequency of those disbursements;

(4) The terms of any loan received by a student as part of the student's financial assistance package, a sample loan repayment schedule for sample loans and the necessity for repaying loans;

(5) The general conditions and terms applicable to any employment provided to a student as part of the student's financial assistance package; and

(6) The exit counseling information the institution provides and collects as required by 34 CFR 674.42 for borrowers under the Federal Perkins Loan Program, by 34 CFR 685.304 for borrowers under the William D. Ford Federal Direct Loan Program, and by 34 CFR 682.604 for borrowers under the Federal Stafford Loan Program.

Subpart K—Cash Management

Sec. 668.165 Notices and authorizations.

(a) Notices. (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

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In addition, NACAC's **Statement of Principles of Good Practice** contains the following references to financial aid:

Introduction

To enable all students to make the dream of higher education a reality, these institutions and individuals develop and provide programs and services in postsecondary counseling, admission and **financial aid**.

Member Conventions

3. Members will provide accurate admission and **financial aid** information to students, empowering all participants in the process to act responsibly.

6. Members will strive to provide equal access for qualified students through education about **financial aid** processes and institutional financial aid policies.

All Members—Mandatory Practices

B. Admission, **Financial Aid** and Testing Policies and Procedures

Members agree that they will:

1. not publicly announce the amount of need-based aid awarded to any student without his/her permission;

2. not guarantee admission or specific college placement or make guarantees of any **financial aid** or scholarship awards prior to an application being submitted, except when pre-existing criteria are stated in official publications;

3. not make unethical or unprofessional requests of other admission counseling professionals;

4. send and receive information about candidates in confidence;

6. not use minimum test scores as the sole criterion for admission, advising or for the awarding of **financial aid**;

Post-Secondary Members—Mandatory Practices

1. state clearly the requirements for the first-year and transfer admission and enrollment processes, including secondary school preparation, standardized testing, financial aid, housing and notification deadlines, and refund procedures;

B. Admission, Financial Aid and Testing Policies and Procedures

Postsecondary members agree that they will:

1. accept full responsibility for admission and **financial aid** decisions and for proper notification of those decisions to candidates;

3. permit first-year candidates for fall admission to choose, without penalty, among offers of admission and **financial aid** until May 1. (Candidates admitted under an Early Decision program are a recognized exception to this provision);

5. work with their institutions' senior administrative officers to ensure that **financial aid** and scholarship offers and housing options are not used to manipulate commitments prior to May 1;

7. state the specific relationship among admission and **financial aid** practices and policies;

8. notify accepted aid applicants of **financial aid** decisions before the enrollment confirmation deadline, assuming all requested application forms are received on time;

9. clearly state policies on renewal of **financial aid** that will typically include a review of students' current financial circumstances;

10. not knowingly offer **financial aid** packages to students who are committed to attend other institutions, unless the students initiate such inquiries. Athletic scholarships, which adhere to nationally-established signing periods, are a recognized exception to this provision;

All members—Interpretations of Mandatory Practice

B. Admission, **Financial Aid** and Testing Policies and Procedures

All members agree that they will:

6. **Financial aid** is defined as grants, **loans**, work-study and scholarships. This practice does not apply to scholarship and **financial aid** programs that fall under state mandates.

Early Decision (ED) is the application process in which students make a commitment to a first-choice institution where, if admitted, they definitely will enroll. While pursuing admission under an Early Decision plan, students may apply to other institutions, but may have only one Early Decision application pending at any time. Should a student who applies for financial aid not be offered an award that makes attendance possible, the student may decline the offer of admission and be released from the Early Decision commitment. The institution must notify the applicant of the decision within a reasonable and clearly stated period of time after the Early Decision deadline. Usually, a nonrefundable deposit must be made well in advance of May 1. The institution will respond to an application for **financial aid** at or near the time of an offer of admission.

Interpretations of Mandatory Practices—Postsecondary Members

A. Promotion and Recruitment

All postsecondary members agree that they will:

1. state clearly the requirements for the first-year and transfer admission and enrollment processes, including secondary school preparation, standardized testing, **financial aid**, housing and notification deadlines, and refund procedures by:

d. providing students, families and secondary schools with the most comprehensive information about costs of attendance and opportunities for all types of **financial aid**, and state the specific relationship between and among admission and **financial aid** practices and policies;

i. clearly stating all deadlines for application, notification, housing, and candidates' reply requirements for both admission and **financial aid**;

B. Admission, Financial Aid and Testing Policies and Procedures

All postsecondary members agree that they will:

3. permit first-year candidates for fall admission to choose, without penalty, among offers of admission and **financial aid** until May 1. Candidates admitted under an Early Decision program are a recognized exception to this provision.

a. It is understood that May 1 will be viewed as the postmark date and/or the receipt date for electronic submissions. Colleges that solicit commitments to offers of admission and/or **financial assistance** prior to May 1 may do so provided those offers include a clear statement in the original offer that written requests for extensions and admission deposit refunds until May 1 will be granted, and that such requests will not jeopardize a student's status for admission or **financial aid**;

b. When May 1 falls on a Sunday or holiday, May 2 becomes the recognized date.

4. not offer exclusive incentives that provide opportunities for students applying or admitted Early Decision that are not available to students admitted under other admission options. Examples of exclusive incentives include special dorms for ED admits; honors programs only for ED admits; full, need-based **financial aid** packages for ED admits only; special scholarships for ED admits only; or any promise of an advantage in the admission process if student(s) convert from Regular Admission to Early Decision.

7. state the specific relationship among admission and **financial aid** practices and policies. Colleges and universities may apply enrollment strategies to decisions to admit, wait list or deny students on the basis of stated or unstated **financial need**.

Examples include:

a. colleges that might prioritize wait lists by students' level of **financial need**;

b. institutions that employ "need aware" admission for the bottom 10 percent of the class.

10. not knowingly offer **financial aid** packages to students who are committed to attend other institutions, unless the students initiate such inquiries. **Athletic scholarships**, which adhere to nationally established signing periods, are a recognized exception. The National Collegiate Athletic Association (NCAA) has established bylaws, operational manuals and legislative directives guiding Division I, II, and III sports for men and women. Each NCAA division has its own set of rules and bylaws that govern intercollegiate athletics. In addition to divisional regulations, there are playing rules committees that set rules for specific sports. Each sport includes calendars regulating quiet periods, dead periods, evaluation periods, contact periods, and eventually, National Letter of Intent signing dates that occur in November, February and April. All such dates are in advance of May 1, the National Candidates Reply Date for admission. NACAC will continue to work with the NCAA to recognize May 1 as a critical date on the admission calendar. For more information on NCAA deadlines, dates and requirements, visit *www.NCAA.org*.

II. Postsecondary Members—Best Practices

B. Admission, **Financial Aid** and Testing Policies and Procedures

All postsecondary members should:

1. provide in the notification letter of those applicants offered a place on the wait list a history that describes the number of students offered places on the wait lists, the number accepting places, the number offered admission, and the availability of **financial aid** and housing;

5. admit candidates on the basis of academic and personal criteria rather than **financial need**. This provision does not apply to international students ineligible for Federal student assistance;

9. view **financial aid** as supplementary to the efforts of students' families when students are not self-supporting;

10. **meet the full need** of accepted students to the extent possible, within the institution's capabilities;

11. should state that eligibility for, and packaging of, **need-based and merit aid** will be comparable for students admitted under Early and Regular programs;

12. utilize an equitable process of needs analysis methodology in making expected estimates or awards of the amount of **financial aid** that may be available to students after documentation is provided;

13. notify accepted aid applicants of **financial aid** decisions as soon as possible before the enrollment notification deadline date, assuming all requested application forms are received on time;

II. Postsecondary Members—Interpretations and Monitoring

B. Admission, Financial Aid and Testing Policies and Procedures

All postsecondary members agree that they will:

3. permit first-year candidates for fall admission to choose, without penalty, among offers of admission and **financial aid** until May 1. Candidates admitted under an Early Decision program are a recognized exception to this provision.

a. It is understood that May 1 will be viewed as the postmark date and/or the receipt date for electronic submissions. Colleges that solicit commitments to offers of admission and/or **financial assistance** prior to May 1 may do so provided those offers include a clear statement in the original offer that written requests for extensions and admission deposit refunds until May 1 will be granted, and that such requests will not jeopardize a student's status for admission or **financial aid**;

b. When May 1 falls on a Sunday or holiday, May 2 becomes the recognized date.

4. not offer exclusive incentives that provide opportunities for students applying or admitted Early Decision that are not available to students admitted under other admission options. Examples of exclusive incentives include special dorms for ED admits; honors programs only for ED admits; full, need-based **financial aid** packages for ED admits only; special scholarships for ED admits only; or any promise of an advantage in the admission process if student(s) convert from Regular Admission to Early Decision.

7. state the specific relationship among admission and **financial aid** practices and policies. Colleges and universities may apply enrollment strategies to decisions to admit, wait list or deny students on the basis of stated or unstated **financial need**.

Examples include:

a. colleges that might prioritize wait lists by students' level of **financial need**;

b. institutions that employ "need aware" admission for the bottom 10 percent of the class.

10. not knowingly offer **financial aid** packages to students who are committed to attend other institutions, unless the students initiate such inquiries. Athletic scholarships, which adhere to nationally established signing periods, are a recognized exception. The National Collegiate Athletic Association (NCAA) has established bylaws, operational manuals and legislative directives guiding Division I, II, and III sports for men and women. Each NCAA division has its own set of rules and bylaws that govern intercollegiate athletics. In addition to divisional regulations, there are playing rules committees that set rules for specific sports. Each sport includes calendars regulating quiet periods, dead periods, evaluation periods, contact periods, and eventually, National Letter of Intent signing dates that occur in November, February and April. All such dates are in advance of May 1, the National Candidates Reply Date for admission. NACAC will continue to work with the NCAA to recognize May 1 as a critical date on the admission calendar. For more information on NCAA deadlines, dates and requirements, visit *www.NCAA.org*.

II. Postsecondary Members—Best Practices

B. Admission, Financial Aid and Testing Policies and Procedures

All postsecondary members should:

1. provide in the notification letter of those applicants offered a place on the wait list a history that describes the number of students offered places on the wait lists, the number accepting places, the number offered admission, and the availability of **financial aid** and housing;

5. admit candidates on the basis of academic and personal criteria rather than **financial need**. This provision does not apply to international students ineligible for Federal student assistance;

9. view **financial aid** as supplementary to the efforts of students' families when students are not self-supporting;

10. meet the full need of accepted students to the extent possible, within the institution's capabilities;

11. should state that eligibility for, and packaging of, need-based and merit **aid** will be comparable for students admitted under Early and Regular programs;

12. utilize an equitable process of needs analysis methodology in making expected estimates or awards of the amount of **financial aid** that may be available to students after documentation is provided;

13. notify accepted aid applicants of **financial aid** decisions as soon as possible before the enrollment notification deadline date, assuming all requested application forms are received on time;

III. Counseling Members—Best Practices

A. Admission, **Financial Aid** and Testing Policies and Procedures
Counseling members should:

3. provide information about opportunities and requirements for **financial aid**;

13. refrain from encouraging students to apply to particular colleges and universities to enhance the high schools' statistical records regarding the number or amount of scholarship awards received;

Question 5. Please describe the information a financial aid officer would be able to accurately provide a student who has neither applied nor enrolled.

Answer 5. This question could encompass a number of scenarios, depending on whether "applied" refers to application for admission to the school or application for financial assistance, and on whether "enrolled" means the student has accepted the offer of admission or has actually registered for classes.

Typically, a student who has not applied for assistance (i.e., filed a FAFSA) can be provided accurate information only regarding the general student consumer information described in Q&A #4, above.

A student who has filed a FAFSA but has not applied for or accepted an offer of admission may be provided a tentative aid package or not, depending on school policy. A student who has applied for aid but not for admission would likely get only general student consumer information. A student who has applied for aid and has been offered admission would probably be offered an aid package, as that is part of the student's decisionmaking process.

These likelihoods result from the limited nature of at least some forms of aid: given limited available amounts, a school would not be able to accurately determine individual student awards unless it knows roughly how many students will likely attend. So, a balance must be achieved between providing specific award amounts and offering funds to the students most likely to attend the school. Thus, some schools would offer a financial aid package including estimated award amounts to all accepted students who applied for aid, having based those amounts on an analysis of past experience with numbers of admitted students who actually attend, while other schools would offer an aid package only after a student has accepted the offer of admission.

Question 6. One of NACAC's strategic goals is to "proactively encourage, welcome and value diverse perspectives in membership." (*http://www.nacacnet.org/AboutNACAC/Pages/strategicpriorities.aspx*) NACAC appears to restrict its institutional and counselor membership to only non-profit organizations and admissions personnel. Do you have any members from for-profit schools in any other membership categories? Why does NACAC restrict its membership to non-profit and public schools? Wouldn't for-profit schools and counselors also benefit from NACAC's programs and training?

Answer 6. At present, NACAC's bylaws only allow for non-profit institutional membership for postsecondary institutions. Twice in the last decade, the NACAC membership has voted on proposals to allow for-profit colleges to become members. On both occasions, the measure failed by relatively close margins. Members do generally believe that admission professionals at for-profit colleges could benefit from NACAC's programs and services. Perhaps more importantly, a large number of members believe that the students who are potentially interested in for-profit colleges stand to benefit from a more ethical recruiting environment. However, a majority of members on both occasions were unconvinced, given the state of practice at many for-profit institutions and the apparently widespread disregard for Federal laws, that for-profit institutions would be seriously committed to ethical practice.

A large number of our members, as well as our leadership and staff, remain open to for-profit membership in the future, particularly if institutions demonstrate a commitment to ethical practice in admission and recruiting.

Question 7. Does NACAC take a position on the fact that tuition at all higher education institutions is increasing at above the rate of inflation and has been for many years? Does NACAC believe higher education is providing the same value for the money as it did in 1992? Please explain.

Answer 7. NACAC believes in the value of higher education, and believe that it continues to be a worthwhile investment. Data from the Census Bureau's Current Population Survey (*http://www.census.gov/compendia/statab/2010/tables/*

10s0227.pdf) continues to suggest that individuals who obtain a Bachelor's degree earn nearly twice as much in annual salary as those who hold only a high school diploma.

While we know college costs are a major challenge to many families in the United States, we also understand that the circumstances that have led to the current college pricing structure are complex and not easily reversed. Several important factors for the committee to consider include[3]:

Published Tuition and Fee and Room and Board Charges

Published tuition and fees at public 4-year colleges and universities rose at an average annual rate of 4.9 percent per year beyond general inflation from 1999–2000 to 2009–10, more rapidly than in either of the previous two decades. The rate of growth of published prices at both private not-for-profit 4-year and public 2-year institutions was lower from 1999–2000 to 2009–10 than in either of the previous two decades.

- Published charges do not reflect the prices most students pay. About one-third of full-time students pay without the assistance of grant aid, and some of these students receive Federal tax credits and deductions to help cover expenses.
- Published in-state tuition and fees at public 4-year institutions average $7,020 in 2009-10, $429 (6.5 percent) higher than in 2008–9. Average total charges, including tuition and fees and room and board, are $15,213, up 5.9 percent.
- Published out-of-state tuition and fees at public 4-year colleges and universities average $18,548, $1,088 (6.2 percent) higher than in 2008–9. Average total charges are $26,741, up 6.0 percent.
- Published tuition and fees at public 2-year colleges average $2,544, $172 (7.3 percent) higher than in 2008–9.
- Published tuition and fees at private not-for-profit 4-year colleges and universities average $26,273 in 2009–10, $1,096 (4.4 percent) higher than in 2008–9. Average total charges are $35,636, up 4.3 percent.
- Estimated published tuition and fees at private for-profit institutions average $14,174, $859 (6.5 percent) higher than in 2008–9.
- Largely due to fluctuating energy prices, the Consumer Price Index (CPI) declined by 4.0 percent from July 2008 to January 2009 and then rose by 2.0 percent from January 2009 to July 2009, yielding a decline of 2.1 percent for the year. This decline means that inflation-adjusted increases in prices this year are larger than current dollar increases.
- All students, whether they live in campus housing or not, must buy books and supplies and pay for food, housing and other living expenses while in school. They would face many similar expenses if they were not in school, but would be able to devote more time to the labor force.

Variation in Tuition and Fees

Half of all full-time public and private not-for-profit 4-year college students attend institutions charging tuition and fees less than $8,679, and half attend institutions with higher published prices.

- In 2009–10, published in-State tuition and fees at public doctorate-granting universities are $7,797, compared to $6,094 at public master's universities, and $5,930 at public baccalaureate colleges.
- About 24 percent of all full-time students attending 4-year colleges are enrolled in institutions with published prices below $6,000 per year. This includes 33 percent of public college students and 5 percent of private college students.
- About a quarter of full-time 4-year college students are enrolled in institutions with published prices of $21,000 per year or higher. These students attend either private institutions or public institutions outside their states of residence.
- Although the average increase in tuition and fees at public 4-year colleges in 2009–10 is 6.5 percent for in-State students and 6.2 percent for out-of-state students, 15 percent of full-time students in this sector attend institutions that increased their published prices by 12 percent or more, and 17 percent attend institutions that increased their prices by less than 3 percent.
- In 2009–10, the New England region has the highest average public 4-year prices and the South has the lowest.

Institutional Finances

The $7,953 State tax appropriations per student in 2008–9 were 12 percent ($1,100) lower in constant dollars than a decade earlier.

[3] Excerpted from the College Board's Trends in College Pricing, 2009.* *http://www.trends-collegeboard.com/college_pricing/highlights.html*.

• Nationally, State appropriations per $1,000 in personal income declined from $9.74 in 1989–90 to $7.36 in 1999–2000, and $6.50 in 2008–9.

• As of June 2008, 18 private colleges and universities had endowment assets exceeding $500,000 per student. The vast majority of the more than 1,600 private not-for-profit institutions and more than 650 public 4-year institutions had much lower endowments or no endowments at all.

• In 2007–8, average salaries for full-time faculty members at public 2-year colleges were the same in inflation adjusted dollars as they had been in 1991–92. Average salaries had increased 4 percent at public 4-year and 11 percent at private not-for-profit 4-year institutions over these 16 years.

Question 8. According to NACAC's Web site: The average student loan debt nearly doubled from 1992 to 2004. Does NACAC believe the current average debt levels of students attending non-profit and public higher education are appropriate?

Answer 8. NACAC has been concerned about rising debt levels for all students, regardless of the type of institution. We believe that in general, students are being asked to shoulder a much larger burden than they have in the past. Accordingly, we have advocated for reforms to student aid programs to attempt to lower such debt. Among the positions NACAC has adopted include support for:

• Establishment of Income Based Repayment (IBR);
• Enactment of the Health Care and Education Reconciliation Act, which made historic investments in Federal need-based aid;
• Allowing student loans to be dischargeable in bankruptcy;
• Increased need-based financial aid, such as the Pell grant;
• Reductions in student loan interest rates; and
• Limitations on credit card marketing on college campuses.

Of particular concern to this committee, though, is a trend identified in a College Board analysis of student borrowing data from the National Postsecondary Student Aid Survey (NPSAS). According to the College Board, "between 2003–4 and 2007–8, debt levels increased rapidly for students in the for-profit sector and for all of those earning certificates and two-year degrees. However, the increase was relatively small for bachelor's degree recipients in public and private four-year colleges." (*http://professionals.collegeboard.com/profdownload/cb-policy-brief-college-stu-borrowing-aug-2009.pdf*).

Question 9. Does NACAC take a position on declining higher education completion rates? For example, many supposedly 4-year programs at some institutions take the average student 6 years or more to complete. Does NACAC advise its members to provide transparent information on actual completion rates and time to complete programs of higher education before students are admitted?

Answer 9. NACAC does not take a position on higher education completion rates. NACAC does recommend that institutions offer such information to students, particularly in light of the Higher Education Act requirements that institutions report completion rates to prospective students. NACAC served on an advisory committee to the National Postsecondary Education Cooperative (NPEC) in its effort to establish the "Information Required to Be Disclosed Under the Higher Education Act of 1965: Suggestions for Dissemination." (*http://nces.ed.gov/pubs2010/2010831rev.pdf*) Earlier this year, we circulated the publication to our membership to help promote understanding of the requirements for providing information to prospective students. The following is an excerpt from the NPEC guidance on graduation rate disclosures required under the Higher Education Act.

> "Each institution must annually make available to prospective and enrolled students the completion or graduation rate of certificate—or degree-seeking, first-time, full-time, undergraduate students. The data are to be available by July 1 each year for the most recent cohort that has had 150 percent of normal time for completion by August 31 of the prior year.
>
> If the information is requested by a prospective student, it must be made available prior to the student's enrolling or entering into any financial obligation with the institution.
>
> Note: Institutions may add other information to their completion/graduation rate disclosures (e.g., graduation rates for other timeframes, but the HEA-required information must be identifiable and separate from any additional information).
>
> An institution that determines that its mission includes providing substantial preparation for students to enroll in another title IV, HEA-eligible institution must disclose a transfer-out rate for each cohort. A student shall be counted as a completion or graduation if the student earns a degree or certificate or completes a transfer-preparatory program within 150 percent of normal time for the

student's program. Note: These data are collected in the IPEDS Graduation Rate Survey (GRS).

The HEOA (Sec. 488(a)(3)) added a provision requiring that the completion or graduation rates must be disaggregated by

- gender;
- major racial and ethnic subgroup (as defined in IPEDS);
- recipients of a Federal Pell grant;
- recipients of a subsidized Stafford Loan who did not receive a Pell grant; and
- students how did not receive either a Pell grant; or a subsidized loan.

Students are to be considered to have received a grant or loan if they received it [for] the period used for determining the cohort—fall term or full year.

These disaggregated rates are to be disclosed only *If* the number of students in each group is sufficient to yield statistically reliable information and not reveal personally identifiable information about an individual student. **The requirement for disaggregation does not apply to 2-year degree-granting institutions until academic year 2011–2012.**

Institutions are allowed to exclude from completion/graduation or transfer-out rate calculations those students who leave school to serve in the Armed Forces, on official church missions, or with a Federal foreign aid service, or are deceased or totally and permanently disabled.

The HEOA (Sec. 488(a)(2)) added a provision that applies to institutions for which students who leave school to serve in the Armed Forces, on official church missions, or with a recognized Federal foreign aid service represent 20 percent or more of the certificate- or degree-seeking, full-time undergraduates at the institution. Those institutions may include the students who leave for such service in their completion/graduation rate calculations but allow for the time the students were not enrolled due to their service by adding the time period the students were not enrolled due to their service to the 150 percent of normal time used in the calculations."

Question 10. Do NACAC members review or advise students on filling out the Free Application for Federal Student Aid (FAFSA)? What sort of training does NACAC provide for its members on the FAFSA? Are NACAC members required to verify data on a FAFSA they assist a student with?

Answer 10. Postsecondary NACAC members do not review students' FAFSA or advise students on filling out the FAFSA. Admission counselors simply encourage students to complete the FAFSA by the recommended institutional, State, and Federal filing dates. Institutional student financial aid and admission offices often partner to host financial aid workshops for prospective students and families to learn about the types of available institutional, State, and Federal aid options, the EFC, and the necessary FAFSA documents, as well as walk through the FAFSA and/or FAFSA on the Web Worksheet.

Secondary NACAC members, independent counselors, and community-based organization staff may help first-generation, low-income, and minority students and their families, who may lack "college knowledge," complete the FAFSA to overcome this known college access barrier for under-represented students. Counselors will advise families to gather the necessary documents to complete the FAFSA; however, they do not aim to verify this personal family information.

At the annual NACAC conference and the annual conferences of NACAC's 23 State and regional affiliates, financial aid sessions are held on a wide variety of topics. The content of sessions may include aid research, award distribution, and tools for helping students fund their education. A staple of the conferences is a session on the practical changes to the FAFSA based on statutory and regulatory changes in Federal student aid. FAFSA session presenters include U.S. Department of Education staff, State education agency staff, vice presidents/deans/directors of enrollment management, and deans/directors of financial aid. NACAC has also provided free online seminars for its members on topics such as "The Basics of Borrowing" and "Understanding the Financial Aid Award Notification Letter and Working with Financial Aid Offices."

In addition, NACAC urges members to participate in conferences, workshops, and webinars offered by Federal Student Aid to broaden their knowledge base and be prepared to answer basic and intermediate-level questions about Higher Education Act Title IV aid programs. NACAC helps to facilitate such training by its partnership in the "National Training for Counselors and Mentors" (NT4CM) effort in conjunction with FSA, financial aid administrators, community-based organizations, counselors, and guaranty agencies.

Question 11. Has NACAC taken action against any members who violate NACAC ethical codes, including anyone involved in National Collegiate Athletic Association athletic recruiting violations? Please provide a summary of any actions taken against institutions or individual members in the last 5 years.

Answer 11. NACAC's Statement of Principles of Good Practice (*http://www.nacacnet.org/AboutNACAC/Policies/Documents/SPGP.pdf*) is comprised of Mandatory Practices, Interpretations of Mandatory Practices and Best Practices. Mandatory practices are enforceable for NACAC member institutions. The following is a list of actions taken by NACAC during the past 5 years, organized by the mandatory practice constituting the basis for the action. (**Notes:** Names of specific institutions have been omitted for purposes of confidentiality. The control and state of the institution are provided to afford the committee an opportunity to see the types of institutions involved. "Resolved" indicates that institution agreed to bring practice into compliance with NACAC standards.)

Ranking Choices: Postsecondary members agree that they will not require or ask candidates or their secondary schools to indicate the order of the candidates' college or university preferences, except under Early Decision.

2006: Private college (Florida) application asked for rank order of choices (resolved)

2007: Private College (New York) online application ask for rank order of choices (resolved)

2008–09: Private college (Virginia) online application asked for rank order of choices (resolved)

2008–09: Private college (New Hampshire) application asked for rank order of choices (resolved)

May 1—National Candidates Reply Date: Members agree that they will permit candidates for fall admission to choose among offers of admission, financial aid and scholarships until May 1 and will state this deadline explicitly in their offers of admission.

2006: Private college (Michigan) (resolved)

2006: Public college (Virginia)—scholarship offer with early reply requirement (resolved)

2006: Public college (Michigan)—scholarships—requested early notification of acceptance (resolved)

2007: Private college (New Jersey)—acceptance letter did not indicate May 1 (resolved)

2007: Private college (Ohio)—scholarship competition—students had to pay $100 to compete and that was due prior to May 1 (resolved)

2008: Private college (Illinois)—encouraging students to deposit by April 18th to receive on time tuition discount (resolved)

2008: Public college (Texas) scholarship office sent letter requiring response by March 21 (resolved)

2008–09: Public College (Arizona)—aggressive tactics to "close the deal" before May 1 (resolved)

2008–09: Private college (Utah)—Institution required students to commit within 30 days of admission offer—Institution terminated membership in NACAC

2008–09: Private college (Tennessee)—Scholarship offer required response before May 1 (resolved)

2008–09: Public college (West Virginia)—asked students to deposit immediately or risk being deferred (resolved)

2008–09: Private college (Alabama)—non-refundable enrollment fee to hold place ASAP (resolved)

2009: Public college (Tennessee)—Scholarship requirement to respond by April 15 (resolved)

2010: Private college (North Carolina)—reservation form required earlier response (resolved)

2010: Private college (Louisiana)—scholarship award letter requiring response and deposit by March 31 (resolved)

2010: Public college (Louisiana)—scholarship letter requiring acceptance by February and not May 1 (resolved)

2010: Private college (Florida)—inappropriate deposit requirement (resolved)

2010: Public college (Connecticut)—inappropriate deposit requirement (status pending)

Manipulating Commitments Prior to May 1: Postsecondary members agree that they will work with their institutions' senior administrative officers to ensure that financial aid and scholarship offers and housing are not used to manipulate commitments prior to May 1.

2009: Public college (Alabama)—housing deposit and registering for orientation prior to May 1 (resolved)

Use of Incentives: Members agree that they will not offer or accept any reward or remuneration from a secondary school, college, university, agency, or organization for placement or recruitment of students.

2006: Private college (Illinois)—referral awards for students (resolved)

2007: Private college (Ohio)—Pharmacy program commitment (resolved)

2009: Private college (Pennsylvania)—after May 1 respond date and decline—sent student an email offering additional scholarship money (status pending)

2010: Private college (Virginia)—student accepted to two Virginia colleges was offered an additional scholarship of $3,000 to attend one over the other (resolved)

2010: Private college (Alabama)—In Early Action letter the institution offered iPods or iPhone to first 500 applicants submitting a nonrefundable deposit by October 15 (resolved)

Student Information Privacy: Members agree that they will be responsible for compliance with applicable laws and regulations with respect to the students' rights to privacy.

2006: Public college (Illinois)—sharing student information with branch campus (resolved)

Accurately Representing Institutional Information: Members agree that they will accurately represent and promote their schools, institutions, organizations and services. Members agree that they will state clearly the requirements for the first year and transfer admission and enrollment processes, including secondary school preparation, standardized testing, financial aid, housing and notification deadlines, and refund procedures

2007: Public college (New York) (resolved)

2007: Public college (New York)—students in a special program were not told they had to purchase books and computers (resolved)

2009: Private college (New York)—"Guaranteed Transfer" offer (resolved)

Waitlist: Postsecondary members agree that they will establish wait list procedures that ensures that no student on any wait list is asked for a deposit in order to remain on the wait list or for a commitment to enroll prior to receiving an official written offer of admission.

2007: Private college (Minnesota) resolved)

2010: Private college (Massachusetts)—letter to wait list applicants requesting a deposit to stay on the list (resolved)

2010: Private college (Tennessee) sent acceptance letter to waitlisted students and had to correct error (resolved)

Admission based on test scores only: Postsecondary members agree that they will not use minimum test scores as the sole criterion for admission, advising or for the awarding of financial aid.

2009: Public college (Kansas) resolved

Application Deadlines before October 15th: Postsecondary members agree that they will not establish any application deadlines for first year candidates for fall admission prior to October 15 and will give equal consideration to all applications received by that date.

2009: Public college (South Carolina) resolved

2010: Public College (Georgia)—Early Action deadline is October 1 (resolved)

Disparaging Comparisons: Postsecondary members agree that they will not use disparaging comparisons of secondary or postsecondary institutions

2008—Private college (Texas) made disparaging remarks about private college (Indiana) resolved

Question 12. In 2007, NACAC surveyed public and non-profit institutions and found that 60 percent of respondents had received applications from undocumented students/illegal aliens. Did NACAC also ask if any of those institutions admitted such students and whether they received any form of aid? Does NACAC support allowing illegal aliens to attend U.S. schools of higher education? Should illegal aliens receive State or Federal financial aid to attend college or be treated as in-State for State university tuition purposes?

Answer 12. NACAC's 2007 survey did not inquire as to whether undocumented students were admitted or awarded aid.

NACAC supports the DREAM Act (S. 729), which would resolve an inconsistency in Federal law facing students who have graduated from U.S. high schools and are interested in attending college. Passage of the DREAM Act would afford proper documentation for such students. The DREAM Act would also allow States to make decisions about whether to treat such students as residents for purposes of determining tuition.

Question 13. Please provide a breakdown of NACAC's membership by member categories: *Institutional Membership, School District or University System Membership, Individual Membership, Organization or Agency Membership, Independent Counselor Membership*. Please include the total public sector versus private sector members in each category and voting versus non-voting (where appropriate).

Answer 13.

Member rate type	All members	Voting	Non-voting	Public sector	Private sector	Did not self-identify
Total Institutional Memberships	3,643	3,643	0	1,346	1,962	335
Total School District or University System Memberships	80	80	0	47	10	23
Total Individual Memberships	6,566	5,595	971	1,680	3,772	1,114
Total Organization or Agency Memberships	215	88	127	4	3	208
Total Independent Counselor Memberships	411	411	0	3	2	406
As of 8–17–2010 Total—All NACAC Memberships	10,915	9,817	1,098	3,080	5,749	2,086

SENATOR HAGAN

Question 1. As you probably know, title IV aid is technically provided to students—not the school—and therefore the Federal Government places no restrictions on how this revenue can be used by schools. In short, there is no requirement that a school devote any portion of title IV dollars to the education of their students. Instead, they can choose to use this money on marketing, recruitment or any administrative expense that they choose.

I think we can agree that the primary goal of an institute of higher education is to provide a quality education to every student that enrolls. This goal is evident in your testimony and through the work that you are doing as the director of public policy at NACAC. What are your thoughts on how we might change the mindset of these institutions that are so focused on bringing a high volume of students in their front door but may be failing to provide them with the best education possible?

Answer 1. The key transaction that Congress should be concerned about is the use of Federal taxpayer funds to support the profit motive in for-profit colleges. Indeed, the purpose of many Higher Education Act program integrity protections seek to mitigate the effects of the profit motive by applying rules specific to the sector.

In the evolution of the participation of for-profit colleges in student aid programs, it seems apparent that the over-reliance of these institutions on Federal aid for profit—often at the expense of students who enroll—is the key policy problem. As you suggest, the for-profit sector has successfully rolled back many protections that Congress and the Department of Education put in place to safeguard the integrity of taxpayer funds. As the Department's Inspector General testified in 2005, protections that are eliminated must be replaced by other safeguards against waste, fraud and abuse.

> "I know there has been discussion about doing away with this rule or that rule, and the question I would always ask when you are doing away with a rule is what abuse was it designed to stop? And then if you are eliminating a rule, if there is a concern that the abuse will return, then what alternative would you offer for that rule?" (*Thomas Carter, Deputy Inspector General, U.S. Department of Education, Hearing of the House Education & Workforce Committee, March 1, 2005*)

Below are some of the key challenges for Congress, and areas where statutory changes may reduce the chance of regulations that bend to the political winds later.

• *Use of funds for advertising and marketing:* Many for-profit institutions spend vast amounts of money on advertising and marketing. While marketing is important for all colleges and universities, there may be common sense limits that Congress could place on the use of taxpayer funds for such purposes.

• *Expansion of 90–10 (or subsequent limit) rule to include ALL taxpayer funds:* At present, the Higher Education Act only requires that for-profit institutions not receive more than 90 percent of their revenue from title IV sources. The remaining 10 percent can be gathered from other Federal sources, such as Veterans' benefits and workforce investment funds.

• *Rethink the 90–10 rule:* The Higher Education Act requires that for-profit colleges earn no more than 90 percent of their total revenue from title IV sources. At present, many for-profit institutions earn nearly 90 percent of their revenue from Federal title IV funds. One step Congress could take is to lower the threshold of Federal funds from which for-profit colleges can derive their revenue.

• *Define new controls for distance education:* The elimination of the 50 percent rule has allowed the proliferation of exclusively online education programs. Because the absence of classroom instruction was an initial program integrity concern for Congress in establishing the 50 percent rule, it may be appropriate to reinstate a class time requirement or explore other controls to ensure program integrity in exclusively online programs.

• *Adjust statute to reinforce proposed regulations:* While the Department of Education's proposed regulations are rooted in existing statute, adopting statutory language that makes clear the legislature's agreement with the intent of the regulatory purpose would help ensure against future efforts to deregulate. Areas including, but not limited to, gainful employment, incentive compensation, misrepresentation, and accreditation may warrant further consideration by Congress.

Question 2. According to a February 23, 2010 GAO report regarding incentive compensation violations, unethical and fraudulent practices occurred between 1998 and 2002 when the ban on incentive pay was in place (prior to the safe harbor rules). This seems to indicate that there was, and is, a widespread disregard for congressional oversight by schools.

I know that the Department of Education's recent Notice of Proposed Rulemaking (NPRM) would eliminate the "safe harbor" provisions and restore the Federal Government's protection against this recurring and unethical practice.

My concern is that in a different political environment we may again be faced with another set of "safe harbor" rules. Do you think that Congress should do something different to ensure that these rules stick this time?

Answer 2. It is possible that Congress could adopt stricter language in the statute to safeguard against the future pursuit of "clarity," or loopholes. One of the ostensible bases for enacting the safe harbors in 2002 was that some interest groups and institutions felt there was a lack of "clarity" in the statute. NACAC has maintained throughout the years that the statute seems amply clear. But we recognize that other organizations and institutions may have different opinions, whatever their motives. NACAC would be glad to work with the committee if it decides to pursue a revision to strengthen the statutory ban on incentive compensation.

SENATOR ALEXANDER

Question. You strongly support Secretary Duncan's proposed regulation on incentive compensation and believe that it will help reduce harmful incentives by recruiters. Should Congress be examining practices in all sectors of higher education and determine whether additional steps are necessary?

Answer. Because the statutory ban on incentive compensation applies to all institutions participating in title IV programs, and since non-profit institutions have occasionally run afoul of the statute, we believe the Department's actions are suitably focused on all institutions.

Based on preponderance of evidence of unethical and illegal recruiting practices in for-profit higher education, we believe that the committee is rightfully concerned with safeguarding the integrity of taxpayer funds as they are currently being spent in the for-profit sector. Congress' job of triage in this case, as Senator Franken noted, is to eliminate the glaring problems first. To that end, there may well be more the committee can do statutorily to limit the potential for fraud and abuse in the Federal aid programs.

RESPONSE TO QUESTIONS OF SENATOR ENZI, SENATOR HAGAN, AND SENATOR ALEXANDER BY MICHALE S. MCCOMIS, ED.D.

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS,
WASHINGTON, DC 20510–6300,
April 16, 2010.

Mr. MICHALE S. MCCOMIS, ED.D.,
Executive Director,
Accrediting Commission of Career Schools and Colleges,
2101 Wilson Blvd., Suite 302,
Arlington, VA 22201.

DEAR MR. MCCOMIS: Thank you for your testimony at the Senate Committee on Health, Education, Labor, and Pensions hearing on "For-Profit Schools: The Student Recruitment Experience" held August 4, 2010. Attached are written questions from members of the committee. The committee looks forward to including your answers to these questions, along with your hearing testimony, in the formal committee record.

Please help us complete a timely and accurate hearing record by sending your written responses no later than Monday, August 23, to my office, attention Terri Roney and Chris Eyler, Senate HELP Committee, 428 Dirksen Senate Office Building, Washington, DC 20510. Please also send an electronic version of your responses to Terri Roney at *Terri__Roney@help.senate.gov* and *Christopher__Eyler@help.senate.gov*.

If circumstances make it impossible to comply by the August 23 date provided for submission of answers, witnesses may explain in writing and request an extension of time to reply.

Again, thank you for your participation. If you have any questions, please contact Terri Roney at (202) 224–5375.

Sincerely,

TOM HARKIN,
Chairman.

MIKE ENZI,
Ranking Member.

ACCREDITING COMMISSION OF CAREER SCHOOLS AND COLLEGES (ACCSC),
WILSON BOULEVARD, SUITE 302 ARLINGTON, VA 22201,
September 10, 2010.

Senator TOM HARKIN, *Chairman,*
U.S. Senate,
Committee on Health, Education, Labor, and Pensions,
428 Dirksen Senate Office Building,
Washington, DC 20510.

Senator MIKE ENZI, *Ranking Member,*
U.S. Senate,
Committee on Health, Education, Labor, and Pensions,
428 Dirksen Senate Office Building,
Washington, DC 20510.

DEAR SENATORS: Attached to this letter you will find my responses to the questions set forth in the August 16, 2010 request from the Senate Health, Education, Labor, and Pensions ("HELP") Committee. As per HELP Committee staff, the due date to submit the responses was extended to September 10, 2010.

I am hopeful that my responses have answered the Senators' questions sufficiently. If I can be of further assistance, please do not hesitate to contact me directly at (703) 247–4520 or *mccomis@accsc.org*.

Sincerely,

MICHALE S. MCCOMIS, ED.D.,
Executive Director.

SENATOR ENZI

Question 1. Please explain what obligations the Higher Education Act prescribes for accrediting agencies. Who has the primary responsibility for ensuring that institutions of higher education comply with the law? What role do accreditors have in policing institutions of higher education to prevent behavior like that revealed in the GAO investigation?

Answer 1. The historical role of accreditation in the oversight of the Higher Education Act ("HEA") as first established by Congress is to serve as a non-governmental authority upon which governmental partners can rely to assess the quality of education. This partnership among Federal Government, State government, and accrediting agencies is known as the "triad." Each member of the triad is responsible for its area of expertise and authority. The primary role of accreditation in the regulatory triad, in partnership with the States and the Federal Government, is to be a valid and reliable authority on quality education assessment. An accrediting agency has no legal or ceded authority to enforce law or another agency's regulations. It is the role of each agency in the triad to enforce its own rules, regulations, and applicable laws. Having said that, accrediting agencies recognized by the Secretary do have an obligation to report to the U.S. Department of Education ("the Department") if the agency has reason to believe that an institution is not complying with title IV program requirements, and accrediting agencies should be expected to fulfill this obligation. Again, however, it is not appropriate for an accrediting agency to enforce Federal regulations.

Section 496 of the HEA and the accompanying regulations set forth the criteria that accrediting agencies must follow in order to be recognized by the Secretary of Education. This section requires a demonstration by accrediting agencies of several attributes, including:

- Experience in accreditation and acceptance of the agency by others.
- Sound administrative and fiscal administration of the agency.
- Sound application of standards that meet HEA's requirements, in reaching an accrediting decision.
- Consistency in decisionmaking.
- Monitoring and reevaluation of accredited institutions and programs.
- Enforcement of its standards.
- Review and updating of standards.
- Substantive change requirements for institutions.
- Operating procedures compliant with HEA's requirements.
- Due process standards.
- Notification procedures of accrediting decisions to schools, the Department and States.
- Regard for decisions of States and other accrediting agencies.

With regard to the behavior discovered by the GAO Report, accrediting agencies are required to have effective standards in the area of recruitment and admissions practices and to enforce those standards. Therefore, accreditors have an obligation to set standards, review an institution's compliance with those standards, and to take appropriate enforcement actions when an agency finds an institution to be out of compliance with those standards.

Question 2. How often do accrediting agencies evaluate institutions of higher education? Between evaluations, do accrediting agencies perform any type of regular review of institutions of higher education that have been granted accreditation by the agency? Do accrediting agencies ever utilize "secret shopper" practices in their evaluations of institutions of higher education?

Answer 2. Typically, a grant of accreditation can be for a term of 3 to 10 years, depending on the type of accreditor and the type of institution being accredited. ACCSC grants a term of initial accreditation for no longer than 3 years and a renewal grant of accreditation for no longer than 5 years and reserves the right to grant a shorter term as deemed appropriate.

Between evaluations, an accrediting agency recognized by the Department must:

> demonstrate it has, and effectively applies, a set of monitoring and evaluation approaches that enables the agency to identify problems with an institution's or program's continued compliance with agency standards and that takes into account institutional or program strengths and stability. These approaches must include periodic reports, and collection and analysis of key data and indicators, identified by the agency, including, but not limited to, fiscal information and measures of student achievement, consistent with the provisions of § 602.16(f). This provision does not require institutions or programs to provide annual reports on each specific accreditation criterion (34 CFR § 602.19 (b).

In addition, between evaluations, an accrediting agency recognized by the Department must monitor overall growth of the institutions or programs it accredits and, at least annually, collect headcount enrollment data from those institutions or programs and must monitor the growth of programs at institutions experiencing significant enrollment growth, as reasonably defined by the agency (34 CFR § 602.19 (c–d).

ACCSC requires institutions to provide annual reports that meet the above regulatory requirements and that also require institutions to provide, among other things, information regarding graduation and employment rates for each program offered and annual cohort default rates. In addition, ACCSC requires approval of new programs at its institutions, including a site visit for this purpose, and the agency annually reviews cohort default rates.

To my knowledge accreditors are not required to utilize "secret shopper" practices in their evaluations of institutions of higher education, nor do they. I do not advocate that accreditors be asked to take on this function because accrediting agencies generally lack the investigative tools and expertise to root out non-compliance with Federal laws and regulations. Federal regulations currently exist to govern how a school represents itself and its educational programs to prospective students. Therefore, an alternative approach would be to require all institutions to undergo an evaluation, secret or other, by an independent third party auditor as a part of the Federal Program Participation Agreement in order to demonstrate compliance with applicable Federal law and regulation pertaining to misrepresentation. Title IV compliance audits are already required, and a review of an institution's conduct in the area of recruitment would seem to be an appropriate extension of those title IV audits.

Question 3. What sort of recourse is available to individuals who believe an institution of higher education has violated the law?

Answer 3. An individual who believes that an institution has violated law has several options of recourse. The student may utilize resources internal to the institution or external to the institution to lodge an allegation against a school. Internal recourse would be to follow an institution's complaint or grievance policy and to speak with schools administrators. A student may also send allegations of a violation of law to the appropriate law enforcement agencies, State department of education, State Attorney General, U.S. Department of Education, and the institution's accrediting agency. Although ACCSC has no authority to enforce law, the agency's standards provide that the Commission will refer a complainant to the appropriate Federal or State agency or private entity with jurisdiction over the subject matter of the allegation.

Question 4. How many regional and national agencies are there? Who "certifies" the accrediting agencies? Are all accrediting agencies recognized by the U.S. Department of Education?

Answer 4. According to the Commission on Higher Education Accreditation ("CHEA") and information gathered from the Department's Web site, it appears that there are eight regional institutional accrediting agencies and 11 national institutional accrediting agencies, of which seven are focused on career-oriented education. In addition, there are numerous specialized or programmatic accrediting agencies, some of which accredit single-program institutions. All of these regional and national agencies are recognized by the Secretary of Education and many are also recognized by CHEA. Not all accrediting agencies are recognized by the Secretary insofar as recognition is only required in order for an institution to participate in Federal title IV programs.

The Department is the best resource to describe how each agency is recognized and the scope of each agency's recognition. The list of accrediting agencies that are authorized by the Department to enable the institutions they accredit to establish eligibility to participate in Federal title IV programs can be found here: *http://www2.ed.gov/admins/finaid/accred/accreditation_pg9.html*.

The Department's list of regional and national accrediting agencies can be found here: *http://www2.ed.gov/admins/tinaid/accred/accreditation_pg6.html*.

I have attached CHEA's compilation of recognized accrediting organizations as Appendix I.

Question 5. What differences are there, if any, between the accreditation process/procedures for private non-profit and public institutions of higher education, and the process/procedures used with for-profit schools? Are there differences in the membership of an accreditation review team for for-profit schools?

Answer 5. Accrediting agencies recognized by the Department, regardless of the type of institutions accredited, fundamentally operate in the same manner. The Higher Education Act requires all agencies, regardless of mission or types of institutions they accredit, to meet the same requirements for recognition. The fundamental components of the accreditation process include an introspective self-study, an on-site evaluation comprised of peer-review evaluators, and a review by a Board or Commission comprised of peers with appropriate experience to make accreditation decisions. In addition, accreditors focus on ongoing assessment to ensure that institutions continuously enhance their operations and the quality of education delivered to students. Because of these fundamental similarities in the mission of accreditation for private non-profit, public, and for-profit institutions, I do not believe there is a significant difference in the membership of the accreditation review teams for these schools. One exception to this statement is that national accreditors for for-profit institutions tend to have a specialized review process for an institution's financial statements. For example, because ACCSC accredits primarily for-profit institutions, the agency has highly specific rules that institutions must follow in preparing and submitting financial statements. ACCSC also has a Financial Review Committee that reviews all financials for institutions seeking initial and renewal of accreditation and annually monitors the financial statements of all institutions. This is an important analysis and one that, in my opinion, is necessary for all accreditors of for-profit institutions to engage in because the financial health of an institution is key to evaluating performance and the institution's on-going ability to fulfill obligations to students.

Accrediting agencies establish processes/procedures and standards that best serve to evaluate the institutions they accredit. Therefore, differences do exist amongst agencies due to the diversity of higher education institutions in the United States. These differences are appropriate and reflect the specific needs of quality education assessment across a broad spectrum of institutions. For example, because ACCSC accredits career and vocationally oriented institutions, the agency's standards focus on student learning, competency attainment, and graduation and employment rates as indicators of institutional success and student achievement. Agencies that accredit institutions with a more diverse range of missions may focus on different yet still appropriate processes to evaluate student achievement.

Question 6. Are there for-profit schools that are accredited by both regional and national accrediting agencies?

Answer 6. Institutions are only required to be accredited by one institutional agency recognized by the Department. Therefore, institutions are not typically accredited by more than one agency. However, some for-profit companies operate more than one institution and, in those instances, some of the company's schools may be accredited by a national agency, while others may be accredited by a regional or a different national agency. Also, an institution may have programmatic or specialized accreditation, in addition to its institutional accreditation.

Question 7. For students to be eligible to receive Federal student financial assistance they must attend an institution that is accredited. Are there additional requirements for for-profit schools to meet before students who attend them are eligible to receive Federal assistance? Must all programs also be accredited? Is that also true for institutions of higher education other than for-profits?

Answer 7. Yes, there are additional or at the very least different requirements that for-profit schools must meet before students who attend those institutions are eligible to receive Federal assistance. The definitions of institutions of higher education, financial responsibility tests, and the 90/10 rule are good examples where the Federal regulations set forth different requirements that only apply to for-profit institutions. However, my area of expertise is in accreditation, and I would defer a more detailed discussion on this question to the Department.

All programs are not required to be individually "accredited;" however, all programs must be recognized/approved as within an institution's scope of institutional accreditation, which is true for all institutions. The processes by which accreditors recognize/approve programs, however, do vary. ACCSC requires specific programmatic approval as part of its institutional accreditation.

Question 8. What information in the Program Participation Agreement (PPA) for for-profit schools is different than the information required for all other types of institutions of higher education?

Answer 8. I would defer to the Department to answer this question. As an accreditor, ACCSC's focus is only on title IV provisions affecting accreditation of an institution, and not on specific HEA eligibility requirements included in the PPA.

Question 9. What is to be done to improve marketing/recruiting procedures used by for-profit schools to reduce the potential malfeasance found by the GAO in its secret shopper investigation? What steps is your organization taking in light of the GAO investigation?

Answer 9. Enforcement of current law, regulation, and accrediting standards is an appropriate route for the triad to take to reduce the potential wrongdoing found by the GAO in its secret shopper investigation. This requires all entities in the regulatory oversight triad to work toward such enforcement. As I have stated earlier, however, governmental agencies in the triad are responsible for law and regulation, whereas nongovernmental accreditors are responsible for setting and enforcing standards of best practice. Oversight entities should review often their requirements and practices to ensure they are sufficient. Equally important, all higher education institutions, regardless of type, must take a very hard look at their recruitment and marketing practices as a means to ensure that the best interests of students are served in all cases. Each school should institute codes of conduct for recruiters and strong internal audit and review processes in order to ensure best practices are met and ongoing compliance is achieved. In my experience, overactive marketing and student recruitment is not limited to the for-profit sector of education. Having said that, for-profit institutions now bear the burden of proof to show that the findings of the GAO report are not industry-wide practices.

ACCSC has taken several steps in light of the GAO investigation. First, ACCSC requested information regarding the investigation from the GAO. Unfortunately, the GAO denied this request because the GAO did not receive authorization from the congressional requester to release the records. This denial has hampered our efforts to investigate effectively the specific findings of the GAO report or to cite specific findings of non-compliance based solely on the written report. Second, ACCSC created a special Task Force to (a) review the recruiting practices of the institutions cited in the GAO report as well as a review of recruiting practices across institutions generally, (b) make action recommendations based on the findings of its review, and (c) make recommendations regarding improvements to ACCSC's standards and processes in the areas of recruitment, advertising, and admissions. Thus far, ACCSC has conducted several unannounced visits to its accredited institutions with more unannounced visits planned. Lastly, ACCSC has placed Westwood College-Denver North on probation. While this action is not solely predicated on the findings of the GAO report, ACCSC did cite the GAO report in the Probation Order and is interested in obtaining information regarding the recruitment practices of Westwood College and its affiliated institutions.

Question 10. Financing and membership of accreditation review teams came under question at the hearing. What differences are there, if any, between the membership of an accreditation review team that reviews a for-profit school and one that reviews other institutions of higher education? Are there any differences in the financing of agencies that accredit for-profit schools versus accrediting agencies that accredit private nonprofit and public schools?

Answer 10. While all accrediting agencies can set their own financing and membership fee requirements, I believe that all agencies, regardless of the type of institution accredited, adhere to the same fundamental practices that require institutions to pay an annual fee, pay fees to process certain reports and applications (e.g., substantive change applications), and finance all or a significant portion of on-site evaluations. Federal regulations portray an understanding of this fundamental dues structure in 34 CFR § 602.14(b)(4). In general, accrediting agencies receive no financing from State or Federal Governmental agencies to conduct their work and rely on a sizable cadre of experienced volunteers to supplement the work of paid staff experts to conduct the peer-review process of accreditation. The fact that institutions finance the peer-review work of accrediting agencies, in my opinion and experience, has no bearing on the types of actions taken by accrediting agencies.

Question 11. Concerns about conflict of interest have been raised about the individuals who serve on your organizations Board of Directors. How are these individuals selected/elected? Is this different from the membership of other accrediting agencies, whether for for-profit schools or for other institutions of higher education?

Answer 11. First, let me say that, in my opinion and experience, conflict of interest in the accreditation process has not been an issue for my agency due to the checks and balances that we have established and due to the high-level of integrity demonstrated by Board members. Federal regulations govern this area and require agencies to have clear and effective controls governing conflict of interest polices and appropriate policies for the selection and election of Board members. The Department of Education and National Advisory Committee on Institutional Quality and Integrity (NACIQI) should continue to be mindful of the importance of the Federal regulations in this area and should hold accrediting agencies accountable if they do not possess sufficiently effective conflict of interest controls.

ACCSC Board members are comprised of three groups: elected members representing ACCSC-accredited institutions (8), an appointed member representing an

ACCSC-accredited institution (1), and appointed members representing the public (4).

ELECTED MEMBERS

Elected members of the Board are proprietors or *bona fide* executives of an ACCSC member institution. Those individuals interested in serving on the Board must submit a nomination application, which is vetted by a Nominating Committee comprised of two current Board members, appointed members, and two elected members. The Nominating Committee interviews each viable candidate and then forwards at least two candidates for each vacant position to the ACCSC membership for election. The candidates with the high vote tallies are then appointed to the Board. Elected members of the Board serve a 4-year term.

SELECTED MEMBERS

ACCSC allows for one school representative seat to be filled by appointment by the Board once every 4 years, the normal term for a Board member. This appointment is to help foster diversity on the Board and to ensure well-rounded representation on the Board.

Four Board members representing the public are appointed to the Board by the sitting Board members. Public members are defined as:

> "persons with an interest and expertise in employment, education and training who (i) have been engaged as employers, in government, postsecondary education, public, adult or vocational education and in similar or allied fields; (ii) are not employees, members of the governing board, owners, shareholders, or consultants of an institution that either is accredited by the Commission or has applied for accreditation by the Commission; and (iii) have been appointed to serve on the Commission" (*Article I (Section 1.01)(c), AACSC Bylaws*).

These four selected members of the public must complete a nomination application, which is vetted by the ACCSC Nominating Committee (described above). The Nominating Committee interviews each candidate and forwards to the ACCSC membership for comments on the resume/C.V. for two public candidates for each vacant seat to be filled. The sitting Board members review any comments submitted, interviews each candidate, and votes on each appointment. Selected public members serve a 4-year term.

In addition to the these election and selection processes, ACCSC has conflict of interest policies for all Board members, staff, and other individuals that contribute to the accreditation process (e.g., Appeals Panel members, committee members, etc.). As a best practice, no individual may participate in the accreditation process for any institution with which the individual is affiliated or for any institution that the individual has special knowledge of or bias toward. For example, ACCSC has a recusal process where a Board member that has any kind of conflict of interest, real or perceived, may not participate in the review of or vote pertaining to the accreditation of that institution. The Department has reviewed ACCSC's policies in this area and has determined these policies to be acceptable and in compliance with Federal requirements.

SENATOR HAGAN

Question 1. You yourself state that while accrediting agencies are private, independent entities you are linked to the Federal student financial aid program in that institutions eligible for title IV funds must be accredited by an agency that is recognized by the U.S. Secretary of Education.

In my opinion when Federal dollars are involved, there needs to be oversight on how this money is spent and by whom. That said, could you please describe the process by which the U.S. Department of Education ensures that as an accrediting body, you are providing an impartial and responsible review of an institution's practices, as well as academic and financial standing?

Answer 1. I would like to refer the committee back to my responses to the questions asked by Senators Enzi and Alexander with regard to HEA's recognition requirements for accrediting agencies. I would, however, like to again emphasize not only the rigorous and robust nature of the Department's recognition process, but also that the Department recently provided itself more tools and a greater opportunity to investigate an accrediting agency's potential violation of Federal recognition regulations through the new regulations that went into effect July 1, 2010. 34 CFR § 602.33 states that Department staff may review the compliance of a recognized agency with the criteria for recognition at any time at the request of NACIQI or based on any information that, as determined by Department staff, appears credible and raises issues relevant to recognition. This new regulation gives the Department far greater latitude than previously existed to provide sound oversight of accrediting agencies and the compliance by those agencies with Federal regulations and mirrors the discretion that accrediting agencies have to investigate the compliance of their accredited schools.

Question 2a. In your testimony you provide us with examples of how the Commission holds itself accountable to its standards by implementing a multistep process that allows you to evaluate an institution's compliance with accrediting standards.

You also mention that between accreditation cycles, ACCSC relies on an interim monitoring process in which you direct an institution to submit reports demonstrating compliance. You also mention that ACCSC relies on a "robust complaint process" in which a student who may feel that he or she has been misled can submit a complaint to ACCSC.

How often does ACCSC evaluate an institution's compliance with accrediting standards?

Answer 2a. ACCSC's initial grant of accreditation is for no longer than 3 years and a renewal grant of accreditation is for no longer than 5 years. The Commission, however, reserves the right to grant shorter terms of accreditation as deemed appropriate. I would also refer the committee to my prior responses regarding the types of interim monitoring accrediting agencies, and ACCSC in particular, conduct in between accreditation cycles.

Question 2b. Who are the peer-reviewers involved in this process? What steps do you take to ensure that they are 100 percent objective?

Answer 2b. The peer-reviewers in the process of accreditation come from other accredited institutions; members of the public with special knowledge or expertise in education, accreditation, industry, and/or regulation; and individuals with special knowledge of a specific career field. As I have indicated in a previous response, ACCSC has established clear and effective controls governing conflict of interest polices and does not allow individuals to participate in the accreditation process for any institution with which the individual is affiliated or for any institution that the individual has special knowledge of or bias toward. The Department has previously reviewed ACCSC's policies in this area and has determined these polices to be acceptable and in compliance with Federal regulations.

Question 2c. Define what the "robust complaint process" means. How many complaints from students must you receive before determining that there is a problem with a school?

Answer 2c. I refer to ACCSC's complaint process as "robust" because, in accordance with Federal regulations, ACCSC "will review in a timely manner any complaint that sets forth information or allegations that reasonably suggest that a school may not be in compliance with ACCSC standards or requirements" (*Section VI (A)(1)(b), Rules of Process and Procedures, Standards of Accreditation*). Therefore, pertaining to the Senator's specific question, one complaint alleging a violation of an accrediting standard will open an inquiry into an institution's compliance. Additional complaints or findings through the inquiry would trigger a broader review. In fact, ACCSC has denied a school's application for initial accreditation based solely upon a complaint received regarding the school's advertising practices.

I would like to take the opportunity here to correct one point in my written testimony. Due to a calculation error, I overstated the number of complaints ACCSC received, which resulted in an understatement of the percentage of complaints that dealt with issues pertaining to recruitment, advertising, and admissions practices. ACCSC is analyzing this data and has taken this as an opportunity to put into place better tracking methods pertaining to the specific issues filed in each complaint so that the Commission can more readily identify trends and recurring issues amongst its accredited institutions.

Question 2d. Given that you are basing an institution's re-accreditation on its Self-Evaluation Report, do you verify the information that is provided to you in the report? What steps do you take to ensure that the information provided to you is accurate?

Answer 2d. With regard to the Self-Evaluation Report, one of the primary functions of the on-site evaluation is to verify the information contained in this report. This verification takes the form of interviews with school administrators and faculty; resource and equipment reviews; student file review; student surveys; classroom observations; graduation and employment verification; interviews with external advisory committee members and other evaluative techniques.

Question 3. In your testimony you state that ACCSC believes that its standards on recruiting and advertising are amongst the most rigorous in the higher education community and can serve as a model for other accreditors. Can you share the practices of other accreditors and how their standards differ and compare to your own?

Answer 3. My testimony stems from feedback received from institutions or groups of affiliated institutions that have had experiences across multiple accreditors and that have told me directly that they find ACCSC standards and processes, in most areas, to be among the most rigorous. Insofar as there are over 80 recognized accrediting agencies, it would be a difficult task to provide specific comparisons. However, I would note that some agencies, such as ACCSC, have specific standards, while other agencies have more general "guidelines" in these areas. While I believe that agencies need to have the freedom to establish accreditation standards in consultation with their accredited institutions as part of the peer review process, I would also continue to advocate for the Department and NACIQI to create a level playing field amongst accreditors through the Federal recognition process as a means to ensure that all agencies operate within generally accepted practices and to focus on providing the best educational opportunities for students.

SENATOR ALEXANDER

Question 1. I'm concerned that there seems to be a lot of confusion about the role and purpose of accreditation. To me, the value of independent accrediting agencies is a vital tool in keeping our system of 6,000 independent autonomous institutions of higher education strong.

Could you explain to us how an agency like yours goes about becoming an approved accreditor by the Secretary of Education? What does the approval process entail and what are you held accountable for by the Secretary?

Answer 1. The Secretary's process of recognition is similar to the accreditation process. Essentially, an accrediting agency must demonstrate compliance with Federal regulations in the following primary areas (34 CFR § 602):

- Experience in accreditation and acceptance of the agency by others.
- Sound administrative and fiscal administration of the agency.
- Sound application of standards that meet HEA's requirements, in reaching an accrediting decision.
- Consistency in decisionmaking.
- Monitoring and reevaluation of accredited institutions and programs.
- Enforcement of its standards.
- Review and updating of standards.
- Substantive change requirements for institutions.
- Operating procedures compliant with HEA's requirements.
- Due process standards.
- Notification procedures of accrediting decisions to schools, the Department and States.
- Regard for decisions of States and other accrediting agencies.

An agency seeking recognition from the Secretary must complete a Petition for Recognition, which essentially requires the agency to demonstrate compliance with every applicable Federal regulation. For Example, 34 CFR § 602.16 (a)(I)(i) states the following:

(1) The agency's accreditation standards effectively address the quality of the institution or program in the following areas:

(i) Success with respect to student achievement in relation to the institution's mission, which may include different standards for different institutions or programs, as established by the institution, including, as appropriate, consideration of State licensing examinations, course completion, and job placement rates.

Based on this requirement, an agency would provide copies of its standards that cover this area and describe the effectiveness of those standards in addressing educational quality. The agency must be detailed in its response and provide evidence to support its answers. In the case of ACCSC's most recent Petition for Recognition, the agency provided a detailed explanation of required graduation and employment benchmarks and the process used to establish those benchmarks and described the effectiveness of these standards in relation to the agency's independent third-party systematic review process conducted as a means to validate ACCSC's standards and assessment processes.

Once the Petition for Recognition is complete, the agency undergoes an evaluation by a Department analyst who attends and observes a Board meeting, accompanies on-site evaluation teams to observe that process, visits the agency's office to conduct a file review, or other activities as deemed appropriate to the review process. Department staff prepare a report outlining all areas where an agency may not be in compliance with Federal regulations, and the agency has an opportunity to respond to that report. The report and the agency's response are then reviewed by NACIQI and acted upon during a public hearing. NACIQI has the opportunity to ask questions of the agency and to make determinations of compliance or non-compliance with the Federal regulations. If NACIQI finds the agency in compliance with Federal regulations, it can recommend a 5-year recognition period without condition to Secretary, as was the case the last time ACCSC went through this process. NACIQI can also recommend a 5-year recognition period with condition, can defer acting on an agency's Petition until the agency demonstrates compliance, or, if the agency fails to do so can recommend to the Secretary that the agency's Petition for Recognition be denied.

The recognition process is a rigorous and robust one that the Congress should continue to rely upon as a means to determine an agency's reliability to assess and determine the educational quality of a higher education institution.

Question 2. My understanding of the accreditation process of an individual school is that it is a rather robust process that includes a rigorous self-study process as well as a thorough peer-review examination that looks at all facets of an institution's financial operations, student learning, and recruitment and admissions practices.

Could you explain to us the process for an individual school to become accredited? What types of standards do you put in place to ensure program quality? How do you enforce those standards?

Answer 2. The accreditation process is robust and relies upon detailed policies and procedures for quality assessment, rigorous standards, and rigorous enforcement of those standards. Generally, the first step in the process is the submission of an application and detailed introspective self-evaluation report that requires an institution to describe itself, the success of the institution at meeting its mission, the success of its students, and the institution's compliance with all of the accrediting agency's accrediting standards. Once these documents have been submitted, an on-site evaluation team comprised of several experts in educational administration, educational delivery, and the specific fields offered by the institution visit the institution to evaluate the institution's self-evaluation report and verify the information contained therein, assess institutional success and student achievement, and to evaluate the institution's compliance with accrediting standards. The on-site evaluation team prepares a report to which the institution has an opportunity to respond, and this information is forwarded to the decisionmaking body to take action with respect to the institution's application for accreditation. As you can see, this is a fulsome process.

With regard to the types of standards required by accrediting agencies, these standards vary in their specific requirements across accrediting agencies. Generally, however, accrediting standards of institutional accrediting agencies cover the following areas:

- Administration, management capacity, and governance;
- Institutional improvement assessment and planning;
- Facilities;
- Program requirements to include:
  - Program length,
  - Equipment and learning resource materials (e.g., laboratory and library resources), and
  - Program and degree completion requirements.
- Faculty Qualifications;
- Recruiting, advertising, and admissions practices;
- Student services to include student complaint processes;
- Student achievement to include learning assessment and student progress monitoring;
- Separate facilities; and
- Distance education, where applicable.

As stated above, once an assessment has been made by the decisionmaking body with regard to the types of standards listed above, an agency typically has several enforcement actions available to ensure compliance. Of course, if an institution is found to be in compliance with standards, no enforcement action is taken and the institution is granted accreditation/reaccreditation. If, however, additional information is required for an institution to demonstrate compliance or if an institution is found to not comply with standards, an accrediting agency can defer action, require additional monitoring or reporting, direct an institution to show cause as to why accreditation should not be denied/withdrawn, place an institution on probation or some other sanction (e.g., revoke program approval, restrict substantive change applications, etc.), or deny or revoke accreditation.

In addition to the initial accreditation and re-accreditation processes, accrediting agencies monitor their institutions on an interim basis in a number of ways. As indicated in response to Senator Enzi's question #2, accrediting agencies for example require annual reporting, monitor the growth in enrollments of their institutions, and other important areas.

Throughout the process, a primary function of accreditation actions is to allow for institutional improvement that leads to compliance with accrediting standards and to instill effective due process in the enforcement of accreditation standards. It is not reasonable to expect accreditors to revoke accreditation for findings of noncompliance without first giving the institution an opportunity to achieve compliance and better itself for the delivery of its education to students.

It is important to note, however, that the fundamental goal of accreditation is not to act as a police force but instead to drive institutions to achieve high-levels of success and in doing so to create better educational opportunities for students. Other agencies have the responsibility of enforcing Federal laws and regulations, and the different responsibilities of Federal Government, State government, and accrediting agencies are each important for fulfilling the original intent of the regulatory triad. Thus, the Congress should refrain from using accreditation for purposes other than that for which it is intended.

Question 3. In the last Higher Education Act reauthorization, back in 2007, Congress made some changes to the accreditation process. We changed the makeup of NACIQI that approves accreditors, we made some changes to due process for accreditors, and we prevented the Secretary from regulating accrediting agency standards on student learning outcomes.

Are there things that we should be looking at to improve the Higher Education Act to strengthen the hands of accreditors to help them hold their institutions accountable for both students and the taxpayers?

Answer 3. There are three areas that immediately come to mind. The first has to do with the due process requirements established in the last reauthorization of the Higher Education Act. While the Congress was well-intentioned in the changes made, the changes to the statutes and ensuing regulations have made the appeal process that accreditors must engage in more complex and disjointed. While the new requirements are more beneficial to institutions, the requirements for two separate decisionmaking bodies has the potential to hamper the ability of accreditors to revoke accreditation and to act swiftly. I would recommend returning to the due process requirements in place prior to the recent reauthorization.

Second, the Higher Education Act does not require accreditors to evaluate all facilities (e.g., branch campuses or additional locations as classified by the Department). I believe, and ACCSC requires, that every facility that provides education to students must be evaluated for compliance with accrediting standards. I would suggest that the Congress look at this issue in the next reauthorization and move toward defining better requirements for the assessment of institutions and each of the separate facilities operated by that institution and to strengthen an institution's responsibility for the success of not only the main campus, but all campuses.

Third, the Congress should revisit student achievement outcomes as a means to understand better the relationship between institutional success and student success. I go into this issue in more detail in response to question #8 below.

Question 4. Is accreditation approval granted to each individual school or to an entire company and all of its schools? Are there circumstances where a concern at a specific school would lead you to taking action against all schools owned by the parent company?

For contrast, could you please explain the process for providing accreditation to public university systems? Do accreditors provide accreditation to the system as a whole for each individual campus?

Answer 4. These practices vary across accrediting agencies. ACCSC has taken the approach that each campus, including main schools and branch campuses, must achieve individual accredited status and undergo the full accreditation process on their own merits. This process allows for far greater accountability across a system of institutions. Accreditors for traditional higher education institutions have taken an approach to accredit a single main campus to which the accreditation for all branch campuses attach. This can be problematic because, as I indicated in my response to question #3, accreditors are not required to evaluate every separate facility, only a "representative sample."

In addition, ACCSC has taken action across a system of institutions when a pattern of non-compliance has been found through the accreditation process. As per the committee's request, I have attached to this document three examples of system-wide actions taken by ACCSC in Appendix II. This has been a very effective method of holding groups of affiliated institutions accountable to make determinations regarding system-wide practices, particularly those that require significant improvement. Again, this is an area of the HEA where improvements can be made to require accreditors to better hold systems of institutions accountable.

Question 5. Can you describe your due process procedures within your organization and what impact that has on your ability to revoke an institution's accreditation without recourse?

Answer 5. Due process is an important part of the accreditation process, and Federal regulations set forth specific requirements in this area for accrediting agencies to follow. The primary components of due process are to:

- Define those actions which are appealable;
- Define the grounds of the appeal (e.g., arbitrary, capricious, erroneous, in contravention of rules, etc.)
- Allow for the institution to submit evidence that supports the grounds for appeal and in some cases new information not previously reviewed;
- Allow for a hearing before an independent appeals panel considered to be a decisionmaking body; and
- Take action by the appeals panel to uphold, amend, remand, or reverse the original decision.

The fact that an accrediting agency has strict due process requirements in itself has no impact on the ability to revoke accreditation, and an institution remains accredited while the original revocation action is under appeal. Due process does have an impact on how swiftly the revocation can be achieved. Moreover, the new requirements that the appeals body must be a separate decisionmaking entity does make the appeals process much more complex and I suspect will hamper even more an accrediting agency's ability to take swift action.

Question 6. You mentioned the idea of the regulatory triad to provide oversight of higher education—accreditors, the U.S. Department of Education, and State agencies. What is the role of each of these actors to provide oversight and enforce the law? In terms of the GAO report and its findings whose role is it to uncover these specific types of abuses?

Answer 6. I would refer you to my previous answers above regarding the regulatory triad (e.g., response to Senator Enzi's first question). In terms of the specific findings of the GAO report, it is the role of law enforcement and governmental agencies to investigate and enforce law and regulation. It is the role of accreditation as a non-governmental entity to set standards of best practice, to enforce those standards, and, when violations of law or regulation are suspected, to forward that information on to the appropriate governmental oversight agency.

Question 7. Can you tell me how many schools you visit every year and how many findings of any kind you make in a given year?

Answer 7. In calendar year 2009, ACCSC conducted approximately 292 on-site evaluations with 737 findings. In 2008, ACCSC conducted approximately 315 on-site evaluations with 1,002 findings.

Question 8. I voted against the Higher Education Opportunity Act, the 2007 reauthorization of the Higher Education Act, because I believe that it produces too many unnecessary and onerous regulations and didn't improve the Federal Government's oversight of institutions of higher education. Boxes and boxes of meaningless reporting requirements unrelated to the Federal dollars were added to the stack that was already seven boxes high.

What should Congress be looking at to improve accountability for students and taxpayers and to hold institutions accountable for the Federal investment we provide them? What are the important questions that students and taxpayers need answered?

Answer 8. The short answer is student achievement outcomes. The Congress should look to have an open dialogue on student achievement outcomes, not for the purpose of having the Federal Government mandate metrics and benchmarks, but to better articulate expectations about institutional and student success as well as the role of accreditors and the obligations of institutions regarding these outcomes. ACCSC has been using programmatic student achievement outcomes as an indicator of success and as an indicator of the need for intervention for over a decade. The agency has found that student achievement assessment, particularly at the programmatic level, is a powerful tool both for the purposes of identifying success but also for identifying the areas that serve as root causes for low rates of graduation and employment and that need improvement. I do not advocate for these student achievement benchmarks to be a floor, but instead a tool to be used to identify problems and opportunities for improvement. However, when the rates are continuously low over time with no signs of improvement, then accountability and enforcement become the more primary tandem to the student achievement rates.

Appendix I—CHEA List of Recognized Accrediting Organizations

RECOGNIZED ACCREDITING ORGANIZATIONS (AS OF AUGUST 2010)

This chart lists regional, national faith-related, national career-related and programmatic accreditors that are or have been recognized by the Council for Higher Education Accreditation (CHEA) or the U.S. Department of Education (USDE) or both. Organizations identified by (•) are recognized; (—) indicates those not currently recognized. An asterisk (*) identifies accrediting organizations that were formerly recognized.

CHEA-recognized organizations must meet CHEA eligibility standards (*www.chea.org/recognition/recognition.asp*). Accreditors exercise independent judgment about whether to seek CHEA recognition. For USDE recognition, accreditation from the organization is used by an Institution or program to establish eligibility to participate in Federal student aid or other Federal programs (*www.edgov/about/offices/list/ope/index.html*). Some accreditors cannot be considered for USDE recognition because they do not provide access to Federal funds. Other accreditors have chosen not to pursue USDE recognition.

Because CHEA affiliation and USDE recognition depend on a range of factors, readers are strongly cautioned against making judgments about the quality of an accrediting organization and its institutions and programs based solely on CHEA or USDE status. Additional inquiry is essential. If you have questions about the CHEA or USDE recognition status of an accreditor, please contact the accrediting organization.

Accreditor [1]	CHEA recognized organization	USDE recognized organization
Regional Accrediting Organizations:		
Middle States Association of Colleges and Schools Middle States Commission on Higher Education	•	•
New England Association of Schools and Colleges Commission on Institutions of Higher Education	•	•
New England Association of Schools and Colleges Commission on Technical and Career Institutions	*	•
North Central Association of Colleges and Schools The Higher Learning Commission	•	•
Northwest Commission on Colleges and Universities	•	•
Southern Association of Colleges and Schools Commission on Colleges	•	•
Western Association of Schools and Colleges Accrediting Commission for Community and Junior Colleges	•	•
Western Association of Schools and Colleges Accrediting Commission for Senior Colleges and Universities	•	•
National Faith-Related Accrediting Organizations:		
Association for Biblical Higher Education Commission on Accreditation	•	•
Association of Advanced Rabbinical and Talmudic Schools Accreditation Commission	•	•
Commission on Accrediting of the Association of Theological Schools in the United States and Canada	•	•
Transnational Association of Christian Colleges and Schools Accreditation Commission	•	•
National Career-Related Accrediting Organizations:		
Accrediting Bureau of Health Education Schools	—	•
Accrediting Commission of Career Schools and Colleges of Technology	—	•
Accrediting Council for Continuing Education and Training	—	•
Accrediting Council for Independent Colleges and Schools	•	•
Council on Occupational Education	—	•
Distance Education and Training Council Accrediting Commission	•	•

Accreditor [1]	CHEA recognized organization	USDE recognized organization
National Accrediting Commission of Cosmetology Arts and Sciences, Inc.	—	•
Programmatic Accrediting Organizations:		
AACSB International—The Association to Advance Collegiate Schools of Business	•	*
ABET, Inc.	•	*
Accreditation Commission for Acupuncture and Oriental Medicine	—	•
Accreditation Council for Business Schools and Programs	•	*
Accreditation Council for Midwifery Education	—	•
Accreditation Council for Pharmacy Education	•	•
Accreditation Review Commission on Education for the Physician Assistant, Inc.	•	—
Accrediting Council on Education in Journalism and Mass Communications	•	*
American Academy for Liberal Education	—	•
American Association for Marriage and Family Therapy		
Commission on Accreditation for Marriage and Family Therapy Education	•	•
American Association of Family and Consumer Sciences Council for Accreditation	•	—
American Bar Association Council of the Section of Legal Education and Admissions to the Bar	—	•
American Board of Funeral Service Education Committee on Accreditation	•	•
American Council for Construction Education	•	*
American Culinary Federation's Education Foundation, Inc. Accrediting Commission	•	*
American Dental Association Commission on Dental Accreditation	—	•
American Dietetic Association Commission on Accreditation for Dietetics Education	•	•
American Library Association Committee on Accreditation	•	*
American Occupational Therapy Association Accreditation Council for Occupational Therapy Education	•	•
American Optometric Association Accreditation Council on Optometric Education	•	•
American Osteopathic Association Commission on Osteopathic College Accreditation	*	•
American Physical Therapy Association Commission on Accreditation in Physical Therapy Education	•	•
American Podiatric Medical Association Council on Podiatric Medical Education	•	•
American Psychological Association Committee on Accreditation	•	•
American Society for Microbiology American College of Microbiology	—	*
American Society of Landscape Architects Landscape Architectural Accreditation Board	•	*
American Speech-Language-Hearing Association Council on Academic Accreditation in Audiology and Speech-Language Pathology	•	•
American Veterinary Medical Association Council on Education	•	•
Association for Clinical Pastoral Education, Inc., Accreditation Commission	—	•
Association of Technology, Management, and Applied Engineering	•	*
Aviation Accreditation Board International	•	—
Commission on Accreditation of Allied Health Education Programs	•	*
Commission on Accreditation of Healthcare Management Education	•	•
Commission on Collegiate Nursing Education	•	•
Commission on English Language Program Accreditation	—	•
Commission on Massage Therapy Accreditation	—	•
Commission on Opticianry Accreditation	•	*
Council for Accreditation of Counseling and Related Educational Programs	•	—
Council for Interior Design Accreditation	•	*
Council on Accreditation of Nurse Anesthesia Educational Programs	•	•
Council on Accreditation of Parks, Recreation, Tourism, and Related Professions	•	—
Council on Chiropractic Education Commission on Accreditation	•	•
Council on Education for Public Health	—	•
Council on Naturopathlc Medical Education	—	•
Council on Rehabilitation Education Commission on Standards and Accreditation	•	*
Council on Social Work Education Office of Social Work Accreditation and Educational Excellence	•	*
Joint Review Committee on Education Programs in Radiologic Technology	•	•
Joint Review Committee on Educational Programs in Nuclear Medicine Technology	•	•
Liaison Committee on Medical Education	—	•
Midwifery Education Accreditation Council	—	•
Montessori Accreditation Council for Teacher Education	—	•
National Accrediting Agency for Clinical Laboratory Sciences	•	*
National Architectural Accrediting Board, Inc.	—	*
National Association of Nurse Practitioners in Women's Health Council on Accreditation	—	•

Accreditor [1]	CHEA recognized organization	USDE recognized organization
National Association of Schools of Art and Design Commission on Accreditation	•	•
National Association of Schools of Dance Commission on Accreditation	•	•
National Association of Schools of Music Commission on Accreditation and Commission on Community/Junior College Accreditation	•	•
National Association of Schools of Public Affairs and Administration Commission on Peer Review and Accreditation	•	—
National Association of Schools of Theatre Commission on Accreditation	•	•
National Council for Accreditation of Teacher Education	•	•
National Environmental Health Science and Protection Accreditation Council	—	*
National League for Nursing Accrediting Commission, Inc.	•	•
Planning Accreditation Board	•	—
Society of American Foresters	•	*
Teacher Education Accreditation Council Accreditation Committee	•	•
United Slates Conference of Catholic Bishops Commission on Certification and Accreditation	—	*

[1] This chart is updated when the CHEA Board of Directors recognizes or withdraws recognition of an accrediting organization and when the U.S. Secretary of Education recognizes or withdraws recognition of an accrediting organization. Please visit the CHEA Web site at ***www.chea.org***.

Appendix II—ACCSC Sample System-Wide Accreditation Actions

ACCREDITING COMMISSION OF CAREER SCHOOLS AND COLLEGES OF TECHNOLOGY (ACCSCT),
December 6, 2002.

STEWART A, SMITH, SR.,
President/CEO,
Stewart Smith Schools Corporate Office,
McComb, MS 39648–1367.

DEAR MR. SMITH: On November 25, 2002, the Accrediting Commission of Career Schools and Colleges of Technology ("ACCSCT" or "the Commission") convened via conference call to consider its previous actions to order all of the schools under your supervision and control to show cause why the accreditation of these schools should not be withdrawn. The Commission carefully reviewed the entire record to date, which includes the June 19, 2002, July 3, 2002 and August 27, 2002 Show Cause and Continued Show Cause Orders, the report of the Commission Directed Unannounced Visits dated October 17, 2002, and the response to that report and other correspondence submitted on behalf of the schools. This is to inform you that upon review of this record, the Commission voted to revoke the accreditation of these schools and remove the schools listed below from the ACCSCT list of accredited institutions:

Avanti Hair Tech (M001287)—Lakeland, FL
Avanti Hair Tech (B070425)—Hollywood, FL
Avanti Hair Tech (M056678)—Tampa, FL
Omni Technical School (M066238)—Akron, OH [1]
Omni Technical School (B070123)—Hialeah, FL
Omni Technical School (S460113)—Miami, FL
Euro Hair Design Institute (M001310)—Tallahassee, FL
Euro Hair Design Institute (B070126)—Jacksonville, FL
Euro Hair Design Institute (S460122)—Jacksonville, FL
Euro Hair School (M064136)—Corpus Christi, TX
Euro Hair School II (B070410)—Corpus Christi, Texas
Euro Hair School (B070128)—Dallas, TX
RTI Technical Institute (M001427)—Pensacola, FL
RTI Technical Institute (B070356)—Miami, FL
RHDC Flair Design College (M067348)—Fort Worth, TX

[1] On November 20, 2002 ACCSCT received notice that the last day of operation for this school would be Wednesday, November 20, 2001. This effectively ceases the operation of this main school's branch in Hialeah (#B070123) and satellite in Miami (#S460113), as of that date.

HISTORY OF THE COMMISSION'S ACTION

The Commission's review of the schools began in June 2002 when by letter dated June 19, 2002, ACCSCT informed you that five institutions under your ownership and control were delinquent in filing the applications and reports required for continued accreditation.[2] The Commission reminded you that it relies on the timely submission of complete and accurate reports in order to make judgments relative to the institutions' continued compliance with accreditation standards and requirements. Further, the Commission informed you that the inability of these institutions to meet the Commission's reporting requirements also raised concerns about the adequacy of management and resources at each institution and their ability to continue to meet educational objectives on a continuous basis, a fundamental requirement of the Standards of Accreditation. Thus, the Commission ordered the delinquent institutions to show cause why accreditation should not be withdrawn for failure to submit timely applications or to attend required accreditation workshops.

The Commission also noted that its concerns related to the management and administrative capabilities of these institutions had been exacerbated by recent enforcement actions by regulatory agencies, including the action taken by the U.S. Department of Education ("USDE") to transfer Omni Technical Institute in Akron, OH (#M066238) and its branch campus in Hialeah, FL (B070123) and satellite location in Miami, FL (S460113) to the reimbursement system of payment as a result of actions taken by the Ohio State Cosmetology Board.[3] Based upon this information, the Commission expressed concern that systemic management failures were impeding the capacity of all 15 institutions owned and operated by you to meet ACCSCT accrediting standards on a continuous basis. The Commission, therefore, required Stewart Smith Schools to submit a description of how each school is managed, corporate organization charts detailing the lines of authority and oversight of each institution, a detailed narrative demonstrating that all owners, senior or executive managers, and administrative employees are qualified for their specific roles in each school and a Staff Personnel Report for the full-time, on-site director at each main school and branch campus demonstrating that these individuals are experienced in educational leadership or that the directors have other school management experience or documented equivalent training.

At its June 20, 2002 Conference Call, the Commission reviewed a June 17, 2002 notice from the USDE Atlanta Case Team terminating the Provisional Program Participation Agreement for Avanti Hair Tech located in Winter Park (#M001287) and the branch location in West Palm Beach (#B070275). The Commission found that the serious nature of the allegations and findings of non-compliance by the USDE raised concerns that similar compliance issues may exist in other ACCSCT-accredited institutions under your ownership and control. In addition, the Commission expressed concern about the overall capacity of the other ACCSCT-accredited institutions to meet accrediting standards on a continuous basis as required. Consequently, the Commission acted to expand its prior Show Cause Order of June 19, 2002 to all of the ACCSCT accredited institutions under your supervision and control.[4]

At its August 2002 meeting, the Commission considered its previous decision to order all 15 of the institutions under your supervision and control to show cause as to why accreditation should not be withdrawn. Upon review of the entire record, including the Show Cause Orders dated June 19, 2002 and July 3, 2002 and the responses to the Show Cause Orders, the Commission deferred action and voted to direct fact-finding reviews and record verification visits to 5 of the 15 institutions. The Commission also directed a fact-finding review and record verification at the corporate office located in McComb, MS. Although the responses to the June 19, 2002 and July 3, 2002 Show Cause Orders provided the delinquent school applications and reports as well as some information related to the management and oversight of the schools, the institutions' responses did not allay the Commission's concerns that the institutions were being adequately managed and may not have the ability to meet accrediting standards on an ongoing basis or the capacity to operate successfully as ACCSCT-accredited institutions (Section VIII, Standards of Accreditation).

On August 17–18, 2002 the Commission Directed Unannounced Visits took place at the following locations:

- Corporate Office—McComb, MS

[2] *See* the Show Cause Order dated June 19, 2002.

[3] *See* the Commission's letter of May 29, 2002 acknowledging receipt of notice of enforcement actions by US DE.

[4] *See* the expanded Show Cause Order dated July 3, 2002.

- Omni Technical Institute—Hialeah, FL (branch location of Akron Main School "MS")
- RTI Technical Institute—Miami, FL (branch location of Pensacola MS)
- Avanti Hair Tech—Hollywood, FL (branch location of Lakeland MS)
- Euro Hair School—Corpus Christi, TX (branch location of the Corpus Christi MS)
- RHDC Hair Design College—Fort Worth, TX (Main School)

The findings of these on-site evaluations were consolidated into one report dated October 17, 2002 which was sent to you and the institutions. The schools were required to respond to the report by November 11, 2002.

On November 6, 2002, ACCSCT received notice from you that you intended to close Omni Technical Institute in Hialeah, Omni Technical Institute in Miami and Avanti Hair Tech in Hollywood within the next 60 days and assured ACCSCT that you would "adhere to the prescribed close-out procedures and send the necessary documentation under separate cover." However, on November 15, 2002, the Commission office received multiple calls from the USDE that you had precipitously closed Avanti Hair Tech in Hollywood, leaving 104 enrolled students without an approved plan in place to complete their training or any representation by the school to assist students or receive questions. On November 18, 2002, ACCSCT learned that you had also closed the Omni Technical Institutes in Hialeah and Miami without arranging an acceptable teach-out for the nearly 300 students enrolled at both locations.

The Commission office did receive a fax from you which stated your willingness to transfer students from the three closed Florida campuses to RTI Technical Institute in Miami. However, this cursory offer fell well short of a Teach Out Plan and agreement that could be approved and was not prepared in accordance with accreditation standards. As noted in our letter of November 20, 2002, RTI's infrastructure simply could not support the nearly 400 students transferring from other locations in addition to the 190 students already enrolled there. Moreover, compliance issues raised during the recent unannounced visit by the Commission to RTI—Miami had not been resolved and caused additional concern regarding RTI's capacity to carry out any teach out plan effectively.

The Commission's standards for Teach-Out Plans and Agreements require that students will receive adequate and timely notice of an institution's intention to close so that a teach out or transfer to another institution may proceed in an orderly fashion and without any material disruption to the students' training. An accredited institution has an affirmative duty to meet its obligations to students. The manner in which you precipitously closed the Hollywood, Hialeah and Cutler Ridge campuses revealed such a fundamental lack of respect for students and the Commission's standards that this matter was brought to the Commission's immediate attention. In addition, by letter dated November 20, 2002, you were warned that the precipitous closure of three campuses, the inability to provide a viable plan for training out students enrolled at those campuses, and the unwillingness to provide precise information regarding the (PP. 4 & 5 missing from submission).

(a) Changes in individual tuition charged to students are not *bona fide* (Section VIII (C)(1), Standards of Accreditation). During the on-site evaluations, a review of student files from the Pensacola, Hollywood, Miami and Hialeah schools revealed the practice of "charging off" tuition at the end of a student's term of enrollment. For example, one student received a $283.00 charge off of tuition on 7/26/02, 5 days before the student graduated on 7/31/02. The visiting team could find no documentation or explanation in the student's file for this reduction in the tuition. The visiting team was informed that in some instances a "charge off" of tuition is given to ensure that students remain in school, which appears to be a cash incentive for the purposes of maintaining student retention. In the absence of any clear explanation of school's policy related to the "charge off" of tuition the visiting team believed that this practice called into question the fairness of the school's tuition policies and led the team to raise concerns that this practice may not be a *bona fide* change in tuition. The visiting team noted this practice in the files for at least seven other students.

In response to this finding by the visiting team, the schools explained that,

> "[t]he Hialeah and Miami locations use the charge off procedures as a grant to the students to help them after graduation with certification and related expenses which are estimated at about $300."

The schools contended that "[t]his grant was never used as an incentive to get students, keep students or a tuition reduction. "It was only a [*sic*] aid to help them that took the time and initiative to go to school and graduate, complete their certification process and begin employment." Even if the schools' characterization of the "charge-off" or "grant" were accepted, the response acknowledges the arbitrary nature of the practice. The effect of this practice is to reduce tuition for certain students without any regularity as to specified effective dates, documentation in enrollment agreements or reasonable advance notice to students. While the Commission does not specify what tuition a school may charge, or prohibit *bona fide* discounts, it does require regularity and clarity in a school's tuition policies so students can reasonably know what tuition will be charged.

(b) Admissions requirements are not consistently applied with respect to acceptance of credit transfers. The manner in which the schools accept transfer credits for students gaining admission appears to be structured to maximize the amount of Federal student financial aid (i.e., title IV funding) that the student is eligible to receive rather then on a consistent and fair application of admissions standards designed to assess whether students are qualified and capable of benefiting from the training (*See* Sections V(2) and VIII(C)(2), Standards of Accreditation). During the on-site evaluations, the visiting team found no evidence that the schools have written policies and procedures for reducing tuition when accepting credits for previous training, and have not disclosed those discounts to prospective students. The school catalogs do not contain any information regarding the evaluation of previous training, recognizing clock hours completed at other institutions, or the concomitant reduction of tuition. As an example, one student received 944 clock hours of instruction in cosmetology from Lively Technical Center. Despite documentation in the file indicating that the student scored an 81 out of a possible 100 points on a credit transfer assessment test, the school accepted only 600 of those hours in transfer. The visiting team was unable to determine the criteria that the schools used to evaluate the previous training, or the impact of the acceptance of previous training on the tuition charged; however, the visiting team noted that by accepting only 600 of the 944 previous clock hours earned, the student demonstrated eligibility for additional Federal financial assistance (Pell grant = $2,500 and SEOG = $200). The visiting team noted that the files of seven students did not contain any documentation of the criteria used in the evaluation of previous training or the specifics regarding transfer of credits.[5]

The school's response to this finding did not provide any explanation for how the schools evaluate transfers of credit and stated that,

> "[d]ecisions concerning the acceptance of credits by any institution other than the granting institution are made at the sole discretion of the receiving institution and no representation is made whatsoever concerning the transferability of any credits to any institution."

The Commission found that the response lacked any description of criteria used to evaluate prior training and transfer of credit, such as course outlines, transcripts, or the transfer assessment test. The absence of any clear explanation as to how previous training is evaluated for the purposes of transferring credit led the Commission to conclude that the schools' practice in this regard is to maximize the amount of Federal financial assistance that can be drawn for a transfer student.

(c) Scholarships are not based upon recognized and acceptable purposes (Section VIII (C)(7), Standards of Accreditation). The Commission found, as described by school officials to the visiting team, that the schools award a "school scholarship" at the sole discretion of the school on-site director and that this scholarship is used to assist students financially so that they may remain enrolled in school. These scholarship funds appear to be provided by the school to match title IV SEOG funds. While the visiting team found this practice to be for a recognized and acceptable purpose, the visiting team could find no documentation either in the students' files or in the schools records to confirm that there are any established criteria for the award of this scholarship. For example, one student received a Pell grant in the amount of $3,458.00, a transfer of clock hour credits in the amount of $1,794.50 and a school scholarship in the amount of $667.00 paid on 5/4/02—4 days before the student graduated on 5/8/02. This covered the entire amount of the student's tuition. The visiting team could find no documentation in the student's file to demonstrate the criteria used for the award of this scholarship, the student's request for a scholarship, or even a scholarship award letter given to the student.

As another example, a student received a Pell grant in the amount of $4,775.00, an SEOG grant in the amount of $530.00 and a school scholarship in the amount of $200.00. The total amount of the student's financial aid equaled $5,505.00—$285.00 more than the student's total tuition and fees. The student also paid $100.00 towards tuition as well as $41.63 in overtime charges. Thus, this student

[5] The students were enrolled at the schools located in Orlando, Hollywood, Tallahassee and Miami.

actually received a refund that was paid subsequent to his graduation in the amount of $343.37. Again, the visiting team could find no documentation in the student's file to demonstrate the criteria used for the award of this "school scholarship," the student's request for a scholarship, or even a scholarship award letter given to the student.

In addition, the visiting team received conflicting information regarding school scholarships. In one instance, the visiting team was informed that awarding this scholarship is at the sole discretion of the on-site director who draws from a pool of money equivalent to 25 percent of the total amount of SEOG disbursed by that campus. The visiting team was later informed that the directors make recommendations to the corporate office regarding which students should receive the scholarship. In the absence of any clear explanation of the schools' policy related to the award of this scholarship, the visiting team expressed concern that the schools' practices do not appear to be in compliance with accreditation standards that require scholarships to be *bona fide* reductions in tuition and awarded for recognized and acceptable purposes. These concerns were noted in the files for 12 students from 7 different schools.[6]

In response to this concern by the visiting team, the schools provided an excerpt from the Department of Education regulations for PSEOG and copies of C. Lanis Scholarship vouchers that were signed by the schools' scholarship committee officials. The schools also stated that three types of scholarships are awarded: SEOG Scholarships, C. Lanis Scholarships and Work Scholarships. The explanation of the schools' criteria for the scholarships was limited, and the samples submitted by the schools failed to show that the scholarship criteria are applied or documented on a consistent basis. The only explanation that the Commission could discern is that the scholarships are awarded in order to compensate for tuition that is not covered by Pell grants. The Commission, therefore, determined that the schools failed to establish that the scholarships are *bona fide* and are awarded for recognized and acceptable purposes.

Participation in the process of accreditation is voluntary on the part of the school. The integrity and honesty of a school are fundamental and critical to the process (Introduction Section, Standards of Accreditation). The documented incapacity of the 15 schools under your ownership and control to comply with accreditation standards, the precipitous closures of three schools, the inability to provide a viable plan for training out students enrolled at those campuses and the schools' unwillingness to provide precise information regarding the closure dates as repeatedly requested by the Commission's staff all demonstrated the schools had failed to fulfill these fundamental precepts of accreditation. The Commission, therefore, has acted to withdraw the accreditation of all 15 institutions under your supervision and control.

APPEAL AND REAPPLICATION PROCESS AND PROCEDURES

The schools may either appeal the Commission's decision to revoke the school's accreditation or reapply for accreditation after a period of 9 months. The reapplication and appeal procedures are outlined in the Process and Procedures section of the Standards of Accreditation. Should any of the schools elect to appeal this decision, a letter outlining the intent to appeal, along with the Appeal Expense Fee of $5,000.00, must be submitted to the Commission office by December 16, 2002, The Grounds for Appeal, with the Application for Appeal of Commission Decision attached as a cover sheet, must be submitted to the Commission office by January 6, 2002. If any of the schools elects to appeal, its accredited status continues until the final disposition of the appeal (*See* Appeals Panel, Process and Procedures, Standards of Accreditation). Please note, however, that a school's eligibility to appeal is predicated on its continued operation under its current ownership. By ceasing operation, it ceases to be a "school," the entity that is entitled to appeal a revocation decision. Accordingly, all schools under your ownership and control that have ceased operation will be ineligible to appeal. The Commission's decision to withdraw accreditation in these instances will have become final.

In addition, we informed you in our letter of November 25, 2002 that since the Show Cause Order had been decided against the schools, no changes or additions (e.g., changes of ownership, changes of location, special requests, etc.) would be considered for these schools pending the school's decision whether to appeal the Commission's decision or the disposition of any appeal they may undertake. Please be reminded that Commission approval is required before accreditation may transfer upon a change of ownership. Failure to secure prior Commission approval results

[6] These schools are the Lakeland, Tampa, Corpus Christi, Hialeah, Miami, Tallahassee and Hollywood locations.

in a lapse of accreditation (Change of Ownership, Accreditation Reviews, Standards of Accreditation).

For additional information or assistance, please contact Leah Basham at (703) 247–4512.

Sincerely,

ELISE SCANLON,
Executive Director.

ACCREDITING COMMISSION OF CAREER SCHOOLS
AND COLLEGES OF TECHNOLOGY,
AUGUST 23, 2005.

HARRISON COMMISSO,
Chief Executive Officer,
Harrison Career Institute,
1605 Evesham Road,
Voorhees, NJ 08043.

RE: Harrison Career Institute: DeIran, NJ (School #M001183); Harrison Career Institute: Deptford, NJ (School #M056777); Harrison Career Institute: Reading, PA (School #B057766); Harrison Career Institute: South Orange, NJ (School #B070516); Harrison Career Institute; Jersey City, NJ (School #B059302); Harrison Career Institute: Clifton, NJ (School #B070644); Harrison Career Institute: Vineland, NJ (School #M051407); Harrison Career Institute: Oakhurst, NJ (School #M062342); Harrison Career Institute: Wilmington, DE (School #M055556); Harrison Career Institute: Allentown, PA (School #B062656); Harrison Career Institute: Baltimore, MD (School #B070658); Harrison Career Institute: Philadelphia, PA (School #M070106); Harrison Career Institute: Ewing, NJ (School #B070203); Harrison Career Institute: Washington, District of Columbia (School #B070770)

DEAR MR. COMMISSO: The Accrediting Commission of Career Schools and Colleges of Technology ("ACCSCT" or "the Commission") has considered its previous decision to order the campuses of Harrison Career Institute ("HCI" or "the Corporation") accredited by ACCSCT to show cause as to why accreditation should not be revoked.[1] In addition, the Commission reviewed a notice dated August 18, 2005 from the U.S. Department of Education ("the Department") to HCI informing the Corporation that it is imposing an emergency action and intends to terminate the eligibility of the schools to participate in financial aid programs authorized under Title IV of the Higher Education Act. Upon review of the entire record of this matter to date, including the July 14, 2005 Show Cause Order and the response from HCI dated July 25, 2005, the Commission voted effective as of the date of this letter to vacate the Show Cause Order and place all ACCSCT accredited HCI campuses on Probation. The procedural history of this matter and the reasons for this decision are set forth below.[2]

HISTORY OF THE COMMISSION'S ACTION

The Commission received notice on July 5, 2005 that the schools had been transferred to the Heightened Cash Monitoring—Level 2 ("HCM2") reimbursement system of Federal financial aid funding by the Department. The ACCSCT Standards of Accreditation require schools to be in compliance with Federal, State and local government requirements (Sections I (B)(3) & I (D)(3), Standards of Accreditation). Because the action taken by the Department raised serious concerns regarding the school's compliance with Federal regulations and the manner in which HCI distributed Federal financial aid, the Commission ordered HCI to show cause as to why accreditation should not be withdrawn. In addition, the Commission directed HCI to demonstrate how the Corporation would be able to sustain financial soundness and the operation of the HCI schools with resources sufficient for the proper operation of the schools and the discharge of obligations to students given the HCM2 action taken by the Department (Section VIII (C)(I); formerly Section VIII (B)(1);

[1] See the July 14, 2005 Show Cause Order for more specific information pertaining to the Commission's decision in this regard.

[2] The Commission initiated a review of HCI on a system-wide basis in November 2004 in order to conduct a comprehensive review of the schools' compliance with accreditation standards. HCI was informed through on-site evaluation reports of compliance concerns at certain campuses and has responded to those concerns. These matters are still under consideration by the Commission.

Standards of Accreditation). Finally, the Commission directed HCI to submit a Teach-Out plan for each school prepared in accordance with ACCSCT's accreditation standards. HCI's response was received on July 25, 2005.

AUGUST 2005 REVIEW AND ACTION

Upon review of the record before it, which included the August 18, 2005 notice from the Department, the Commission voted to place all ACCSCT accredited HCI schools on Probation for the following reasons:

1. HCI has not demonstrated that it operates in compliance with Federal regulations (Sections I (B)(3) & (D)(3), Standards of Accreditation). The Commission understands that the Department's decision to terminate HCI's participation in title IV, HEA programs is predicated on its findings in the following areas: falsification of the 90/10 calculation; falsification of student withdrawals; falsification of student eligibility documentation; illegal retention of unearned tuition and student credit balances; failure to provide the programs of study as contracted; illegal use of title IV loan funds; misrepresentation of information critical to students' education: and maintenance of inaccurate records. These findings by the Department raise serious questions regarding the manner in which the HCI schools complied with Federal student financial aid rules and requirements while accredited by ACCSCT. HCI must therefore provide the Commission with a detailed written response to the findings listed in the August 18, 2005 letter from the Department including information pertaining to any appeal of the Department's action, HCI must also provide copies of any appeal documents submitted to the Department which demonstrate that the schools complied with Federal regulations while accredited by ACCSCT.

2. HCI has not demonstrated that it is financially sound with resources sufficient for the proper operation of the schools and the discharge of obligations to students (Section VIII (C)(1); formerly section VIII (B)(1), Standards of Accreditation). In the response to the July 14, 2005 Show Cause Order, HCI indicated that while it had \$1.5 million in its operating account and a line of credit up to \$2.5 million, it also anticipated receiving an initial disbursement of funds from the Department in August 2005 while operating under HCM2. Due to the action by the Department to terminate HCI's participation in financial aid programs, it appears that no distribution of Federal student aid funds will be forthcoming. Given the length of time that the school has operated without receiving a disbursement from the Department, the \$4 million in the school's operating account and line of credit does not appear sufficient to sustain the on-going operations of the schools. HCI must therefore submit:

a. an internally prepared interim financial statement for the 8-month period ending August 31, 2005 to include a balance sheet and income statement;

b. an explanation of the status of HCI's letter of credit and a confirmation that the line of credit remains available in light of the Department's termination decision; and

c. an update to its plan to finance the ongoing operation of the schools beyond August 2005.

3. HCI must submit additional information regarding the signed Teach-out Agreement submitted in response to the July 14, 2005 Show Cause Order. The agreement states that Lee Educational Enterprises, Inc. will assume responsibility for completing the training of the nearly 2,000 students that would be affected by a closure of HCI. This information, however, did not include sufficient information regarding the ability of Lee Educational Enterprises, Inc. to successfully assume the burden set forth in this agreement. Therefore, HCI must provide additional details regarding the capacity of Lee Educational Enterprises, Inc. to complete the training of HCI students including:

a. the names of, the educational institution(s) owned and operated by Lee Educational Enterprises, Inc., and the institutions' accrediting agency if applicable;

b. information regarding the ownership of Lee Educational Enterprises, Inc., to include the names of any individual stockholders and the percentages of ownership;

c. a description of any asset transfers from HCI to Lee Educational Enterprises, Inc. during the period January 1, 2005 though August 31, 2005; and

d. information regarding the approval of this Teach-out Agreement by the State licensing agencies for Pennsylvania, New Jersey, Delaware, Maryland and Virginia.

4. In order for the HCI schools to maintain their eligibility for accreditation, the schools must be in continuous compliance with accrediting standards and requirements which includes, among other things, that the schools must be in continuous operation, training students in accordance with their primary objective, with the exception of any regularly scheduled vacation periods, and pay all required sustaining fees (Section I (B)(3), Standards of Accreditation). Either an unscheduled break in

operation or the non-payment of sustaining fees would generally be considered a violation of the Commission's requirement for maintaining accreditation eligibility. Therefore, please provide the information and payment of fees as set forth below.

a. HCI must submit evidence that the ACCSCT-accredited schools have maintained continuous operation since August 18, 2005 such as student attendance and employee payroll records. Should any of the schools suspend operations for any period of time, the Commission directs HCI to provide notice of such action to ACCSCT within 24 hours.

b. HCI must submit payment of the required sustaining fees[3] on or before September 2, 2005 in the amount of $54,785.

HCI must respond to the Commission's concerns as directed in this letter and provide documentation of corrective action and compliance with accrediting standards. The Commission's concerns should appear prior to HCI's response. The response must be bound, dated, and tabbed, and must include a signed certification attesting to the accuracy of the information. Five (5) copies of the school's response should be submitted. Alternatively, HCI may submit its response in an electronic format. Instructions for submitting a response electronically can be found at the Commission's Web site *www.accsct.org*.

The response must be received in the Commission office **on or before September 23, 2005** for review at the next Commission meeting. Payment of the required sustaining fees must be received in the Commission office **on or before September 2. 2005**. If a response to this letter is not received in the Commission office **on or before September 23, 2005** the Commission will consider further appropriate action to include revocation of the schools' accreditation.

In accordance with the Standards of Accreditation, no changes or additions (e.g., additions of separate facilities, substantive changes, special requests, etc.) will be considered while a school is operating under a Probation Order.

Please note that the Commission is required to report all Probation Orders to the United States Department of Education. Thus a copy of this letter will be provided to the Department at the time HCI is notified of this Probation Order (34 CFR §602.26(b) (1)).

If you need further assistance or information, please contact Leah Matthews at (703) 247–4512.

Sincerely,

ELISE SCANLON,
Executive Director.

ACCREDITING COMMISSION OF CAREER SCHOOLS
AND COLLEGES OF TECHNOLOGY (ACCSCT),
JANUARY 16, 2007.

MARILYN POBIAK,
Vice-President,
High-Tech Institute, Inc.,
Phoenix, AZ 85029.

DEAR MS. POBIAK: By letter of March 10, 2006, the Accrediting Commission of Career Schools and Colleges of Technology ("ACCSCT" or "the Commission") notified you of its decision to undertake a comprehensive review of the complete High-Tech Institutes, Inc. ("HTI") educational system due to concerns that the institutions were not in compliance with the Commission's standards governing faculty qualifications or the design and content of degree programs. The Commission was also concerned with the operation of Anthem College Online—A Division of HTI—Phoenix as well as the manner in which Anthem College has been described in advertising to prospective students and the public.

The Commission coupled this system-wide review with the individual school reviews that were pending for institutions in renewal of accreditation or substantive change processes. Upon review of the March 10, 2006 letter, HTI's response to that letter as well as the record of other individual school evaluations detailed herein, the Commission has good cause to believe that these compliance concerns are systemic in nature. Accordingly, the Commission has placed all schools within the HTI system that are accredited by ACCSCT on probation. This letter includes the specific grounds for the Commission's action and the information HTI must submit in response to this Probation Order for review by the Commission at its August 2007

[3] The sustaining fees were originally due in the Commission office no later than June 30, 2005.

meeting. The Commission's decision is effective immediately. The institutions covered by the Commission's action are listed below.[1]

Main School:

High-Tech Institute—Phoenix, AZ (School #M001392)

Branch Campuses:

High-Tech Institute—Sacramento, CA (School #B067810)
High-Tech Institute—St. Louis Park, MN (School #B070184)
High-Tech Institute—Nashville, TN (School #B070322)
High-Tech Institute—Marietta, GA (School #B070520)
High-Tech Institute—Kansas City, MO (School #B070636)
Cambridge College—Bellevue, WA (School #B070781)

Main School:

The Bryman School—Phoenix, AZ (School #M059048)

Branch Campuses:

Cambridge College—Aurora, CO (School #B069310)
High-Tech Institute—Orlando, FL (School #B070257)
High-Tech Institute—Las Vegas, NV (School #B070605)
The Bryman School—Tempe, AZ (School #B070784)
High Tech Institute—Irving, TX (School #B070459)
High Tech Institute—Memphis, TN (School #B070699)

Main School:

The Chubb Institute—Parsippany, NJ (School #M000360)

Branch Campuses:

The Chubb Institute—Jersey City, NJ (School #B056051)
The Chubb Institute—North Brunswick, NJ (School #B070162)

Faculty Qualification Issues

HTI must demonstrate that its faculty meet all qualifications set forth in Section III of the Standards of Accreditation. The March 10, 2006 letter required HTI to submit an audit of all faculty employed by HTI to teach in the High-Tech Institute schools. A thorough review of this faculty audit showed a pattern through the "High-Tech Institute" cluster of schools of noncompliance with accrediting standards in regard to the qualifications of HTI faculty. What follows are the Commission's findings regarding the qualifications of HTI faculty from its review of the faculty audit.

HIGH-TECH INSTITUTE—PHOENIX (TOTAL FACULTY = 111)

General Education Faculty

- Thirty-five faculty; eighteen full-time; seventeen part-time.
- Of the 35 faculty, 21 teach on-line courses; 8 full-time and 13 part-time.
- Of the 35 faculty listed as general education faculty, the following appear to be misclassified as general education faculty:

1. Ryan Bohlander is listed on the Faculty Personnel Report as a general education instructor teaching GE 406 Business and Consumer Marketing. This is not a general education course. He is a technical/occupation faculty member.
2. Richard Koch is listed on the Faculty Personnel Report as a general education instructor teaching GE 406 Business and Consumer Marketing. This is not a general education course. He is a technical/occupational faculty member.
3. Charles Shelton is listed on the Faculty Personnel Report as a general education instructor teaching GE 402 Principles of Management. This is not a general education course. He is a technical/occupational faculty member with more than 4 years of practical work experience.

- Of the 35 faculty members, the following appear to lack appropriate academic coursework and preparation to teach the specific general education courses assigned to them (Section III B(5), Standards of Accreditation):

[1] January 19, 2007 Corrected Copy includes the Irvine, TX and Memphis, TN branch locations of the Bryman School.

1. Sue Bueker appears to lack appropriate academic coursework and preparation [2] to teach GE 104 Critical Thinking and GE 205 Engaging in Communication.
2. Cynthia Espinoza appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking and GE 205 Engaging in Communications.
3. Richard Frederick appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking.
4. Judith Green appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking and GE 205 Engaging in Communication.
5. Sam Rotella appears to lack appropriate academic coursework and preparation to teach GE 114 Critical Thinking and Problem Solving.
6. Phillip Thomas appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking.
7. Tracy Thompson appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking.
8. Lorraine Sanford appears to lack appropriate academic coursework and preparation to teach GE 205 Engaging in Communications.
9. Steve Good appears to lack appropriate academic coursework and preparation to teach GE 230 Sociology.
10. Josh Turnbow appears to lack appropriate academic coursework and preparation to teach GE 221 Human Relations.
11. Pam Womack appears to lack appropriate academic coursework and preparation to teach GE 220 Human Relations.

- There is no evidence, as recorded on the Faculty Personnel Reports, that the following faculty have been trained in instructional methods and teaching skills prior to assuming primary instructional responsibilities: (Section III (A)(8), Standards of Accreditation)

1. Kim Baily*
2. Sue Bueker*
3. Cynthia Espinoza*
4. Shanel Fisher
5. Richard Frederick*
6. Barbara Gonzalez
7. Judith Green*
8. Tasha Levy
9. Lorraine Sanford
10. Charles Shelton
11. Sean Taylor*
12. Tracy Thompson*
13. Charles Winzer III*

- Of the faculty members listed above, those indicated by an "*" took on-line courses offered at HTI—Phoenix, listed the course(s) in the Instructor Training section of the Faculty Personnel Report, and then were assigned to teach the course(s) as indicated on the Courses Taught section of the Faculty Personnel Report. Taking an on-line course may not fully meet the standard for training in instructional methods and teaching skills and does not qualify a faculty member to teach that particular course.
- Of the faculty listed above, the following six teach in an on-line environment. It is unclear from the record that any of these faculty members have the qualifications, experience and training to teach in an on-line environment that meets the requirements of Section XI (D)(1) and (2), Standards of Accreditation.

1. Barbara Gonzalez
2. Lorraine Sanford
3. Charles Shelton
4. Sean Taylor
5. Tracy Thompson
6. Charles Winzer III

Technical/Occupation Faculty

- Seventy-six faculty; seventy-five full-time; one part-time.
- Of the 76 faculty, 10 teach on-line courses; 5 full-time and 5 part-time.

[2] Appropriate academic coursework and preparation is defined in Appendix I of the Standards of Accreditation as 15 semester credit hours (or the equivalent) in related subject areas that support the curriculum content.

• There was no Faculty Personnel Report submitted for Marla Peacock.

• The following technical faculty who currently appear to have the required educational credentials, were hired prior to earning the required degree:

1. Michelle Hughes: Hired 8/25/05; earned AA Medical Billing and Coding degree 8/06; there is some question as to the accuracy on the Faculty Personnel Report and of the degree earned.
2. Sandy McVety: Hired 9/01/05; earned AS Medical Billing and Coding degree 5/06 from HTI—Phoenix.

• The following technical faculty do not appear to have the practical experience or preparation required to teach technical courses under the grandfather provision[3]:

1. Kenneth Dworshak: Hired 6/01/98; earned AOS Computer Networking degree 7/99 from HTI—Phoenix. It is unclear whether he has 3 years of practical experience in computers outside of his teaching experience at HTI—Phoenix.
2. Octavio Martinez: Hired 7/01/99; earned AOS Computer Electronics degree 11/99 from HTI—Phoenix; while he was working at Las Vegas Golf and Tennis in Glendale, AZ and teaching. The record indicates that he was hired with 6 months experience in 1999, not the required 3 years.
3. Steve Pagan: Hired 7/30/01; earned AS Computer Networking 12/04 from HTI—Phoenix; has less than the required 3 years of practical work experience in the field before he was hired and it is unclear whether he has it now (see listing below).
4. Kevin G. Scott: Hired 8/02/99; earned AS Graphic Design and Animation degree 7/05 from HTI—Phoenix; has less than 3 years of practical work experience in the field, and therefore, is not in compliance.

• According to the Faculty Personnel Reports, the following faculty member has not earned or does not possess a degree related to the courses he is currently teaching and there is no showing of outstanding professional experience or contributions to the occupational field of study. Therefore, the qualifications of this faculty member do not appear to be in compliance with Section III (B)(4) of the Standards of Accreditation for grandfathered faculty.

1. Joe Hauptman: Hired 10/01/01; possesses M.Ed. degree, but there is no information regarding the specific area of study that qualifies him to teach computer networking courses. In addition, he has less than 3 years of practical work experience in the field in which he is teaching, and is therefore out of compliance with Section III (B)(4) for grandfathered faculty (Standards of Accreditation, Appendix I).

• The following faculty members appear to have less than the required 3 or 4 years of practical work experience and therefore, are not in compliance with Section III (B)(4) of the Standards of Accreditation or the Commission's grandfather provisions for faculty.

1. Joe Hauptman: Hired 10/01/01 (also listed in another category)
2. Octavio Martinez: Hired 7/01/99 (also listed in another category)
3. Steve Pagan: Hired 7/30/01 (also listed in another category)
4. Kevin G. Scott: Hired 8/02/99 (also listed in another category)
5. Steve March: Hired 2/27/04; does not have 3 years of practical experience to qualify him to teach GS 225 under the grandfather provision.
6. Robert Reed: Hired 3/31/04; does not have 3 years of experience to qualify him to teach GS 225.
7. Sam Rotella: Hired 2/22/06; does not have the requisite 4 years of experience to teach GS 120 Financial Principles.
8. Steve Good: Hired 12/19/05; does not have the requisite 3 years of practical experience to teach GS 206, Computer Applications.
9. Sean Taylor: Hired 12/13/04; it is not clear whether he has the requisite 3 years of practical experience to teach GS 120, Financial Principles.
10. Tracy Thompson: Hired 8/30/04; it is not clear whether he has the requisite 3 years of practical experience to teach GS 120, Financial Principles.
11. John Turnbow: Hired 1/3/06; does not have the requisite 3 years of practical experience to teach GS 206 Computer Applications.
12. Wayne Whaley: Hired 11/8/04; does not have the requisite 4 years of practical experience to teach GS 120, Financial Principles.
13. Pamela Womack: Hired 1/25/06; does not have the requisite 4 years of practical experience to teach GS 120, Financial Principles.

• The following faculty members, according to information recorded on the Faculty Personnel Reports, do not appear to possess adequate training in instructional

[3] Instructors teaching technical courses in a degree program shall have a minimum of 3 years of practical experience or equivalent training in the field being taught (ACCSCT Standards of Accreditation, Appendix I).

methods and teaching skills and therefore are not in compliance with Section III (A)(8) of the Standards of Accreditation.

1. Earl T. Ashmore
2. Melinda Chappell
3. Frank Conti
4. Juno Taylor
5. Timothy O'Koniewski
6. Patricia Orr (also listed in another category)
7. Krista Palmer
8. Gary L. Robinson
9. Sandy McVay (also listed in another category)
10. Sylvia Waldon

HIGH-TECH INSTITUTE—KANSAS CITY (TOTAL FACULTY = 26)

General Education Faculty

- Seven full-time faculty and zero part-time faculty.
- Of the seven faculty members, the following four appear to lack appropriate academic coursework and preparation to teach the general education courses assigned to them (Section III (B)(5), Standards of Accreditation):

1. Mark Collier appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking and GE 205 Engaging in Communications.
2. Matthew Lewis, Jr. appears to lack appropriate academic coursework and preparation to teach GE 205 Engaging in Communications.
3. Marsha Watson appears to lack appropriate academic coursework and preparation to teach GE 11–104 Critical Thinking and GE11–205 Engaging in Communications.
4. David West appears to lack appropriate academic coursework and preparation to teach GE11–104 Critical Thinking and Problem Solving and GE11–205 Engaging in Communications.

Technical/Occupational Faculty

- Eighteen full-time faculty and one part-time faculty.
- The following faculty member is listed on the roster as faculty teaching occupational/technical courses and did not have a Faculty Personnel Report:

1. Matthew Lewis: Hired 5/23/05; does not have the requisite practical experience or training to teach GS 11, Financial Principles.

- According to the Faculty Personnel Reports, the following faculty members have not earned or do not possess a degree related to the courses they are currently teaching and there is no showing of outstanding professional experience or contributions to the occupational field of study. Therefore, the qualifications of these faculty do not appear to be in compliance with Section III (B)(4) of the Standards of Accreditation:

1. Donna Contractor: Hired 3/15/06; earned LPN 1970 and has over 27 years of practical work experience, but has not earned a related degree in Surgical Tech. HTI did not document outstanding contribution to the professional field.
2. Tammy Grogan: Hired 3/13/06; responsible for externships and teaching in the Surgical Tech program; earned a certificate in Surgical Tech 1985 and has 14 years of practical work experience in the field, but has not earned a related degree. HTI did not document outstanding contribution to the professional field.
3. Leah Moore: Hired 7/19/04; earned BA degree in Elementary Education and a diploma in Massage Therapy 2001, but has not earned a related degree in the field of Massage Therapy. The record indicates that she has only 5 years of practical experience as a licensed Massage Therapist.
4. Rose Roberts: Hired 11/28/05; an AS degree in Business Management from the local community college is listed as in progress, but has not earned a related degree in Medical Billing & Coding and HTI did not document outstanding contribution to the professional field.
5. Debbie Simmons: Hired 2/15/05; earned AS degree in Psychology from Wichita State University during the years of 8/84 through 8/85 (appears to be a mistake on the Faculty Personnel Report), has over 20 years of practical work experience in the health care field, and a certificate in Dental Assisting (no date), but has not earned a related degree in Dental Assisting and does not have 8 years of practical experience in dental assisting.
6. Renee Talley: Hired 2/16/04; earned a certificate in Medical Assisting 1997 and a certificate in Respiratory Care 2001, but has not earned a related degree in the field of Medical Assisting. It is unclear if Ms. Talley has the required years of prac-

tical experience from the record. Accordingly, the Commission is requesting back up documentation of her professional experience to demonstrate compliance with the standards.

7. John Thompson Jr.: Hired 7/28/03; listed as Extern Coordinator for the Surgical Tech program; earned a diploma in Surgical Tech 2000. It is unclear from the record whether Mr. Thompson has the requisite practical experience in Surgical Technology to meet the standard under the grandfather provision. Accordingly, the Commission is requesting backup documentation of his professional experience to demonstrate compliance with the standards.

8. Darrin Wright: Hired 5/10/04; earned a BS degree in Religion 5/03 and an MA in Spiritual Formation 5/05; he has over 15 years of practical work experience in the Surgical Tech field, but he has not earned a related degree in Surgical Tech and HTI did not document an outstanding contribution to the professional field.

HIGH-TECH INSTITUTE—MARIETTA (TOTAL FACULTY = 33)

General Education Faculty

- Seven full-time faculty and zero part-time faculty.
  - Of the seven full-time faculty:
    1. LaMonica Martin lacks 15 semester credit hours or the equivalent in Psychology and therefore does not meet the standard to teach Psychology.
    2. Pelham VanCooten appears to lack appropriate academic coursework and preparation to teach GE 102 Ethics.

- Two new instructors Shawndel Springer (hired in 2005) and Pelham VanCooten (hired in 2006) do not appear to have been trained in instructional methods and teaching skills as reflected on the Faculty Personnel Reports and therefore, are not in compliance with Section III (A)(8) of the Standards of Accreditation.

Technical/Occupational Faculty

- Twenty-four full-time faculty and two part-time faculty.
- The following faculty members who currently have the required educational credentials appear to have been hired prior to earning the required degree. Some of these faculty fall within the grandfather provision, but are listed here because the record indicates that they earned their degrees from remote campuses of HTI while they were teaching in Marietta.

1. Shelia Annette Enderle: Hired 9/22/03; earned AS degree in Computer Network & Security from HTI—Phoenix 8/05.
2. Renee V. Fouche: Hired 11/22/04; earned AS degree in Surgical Tech from HTI—Nashville, Phoenix [*sic*] 2005. (It is unclear from which institution Ms. Fouche earned her degree.)
3. Miriam Gresham: Hired 9/20/05; earned AS degree in Medical Billing & Coding from HTI—Phoenix 1/06.
4. Lore Alexander-Mabry: Hired 3/7/05; earned AAS degree in Surgical Tech from HTI—Nashville 11/05.
5. Cheryl M. Wilson: Hired 9/13/04; earned AAS degree in Surgical Tech from HTI—Nashville 2/05.
6. Melanie Charvat: Hired 4/21/04; earned AS degree in Medical Assisting from HTI—Phoenix 3/05.

- According to the Faculty Personnel Reports, the following faculty members have not earned or do not possess a degree related to the courses they are currently teaching and there is no showing of outstanding professional experience or contributions to the occupational field of study. Therefore, the qualifications of these faculty do not appear to be in compliance with Section III (B)(4) of the Standards of Accreditation:

1. Rhonda Clements-Davis: Hired 11/28/05; earned a certificate in Medical Assistant 3/95, but has not earned a related degree.
2. William C. Miller: Hired 7/13/05; earned an associate degree (major is unclear) from HTI—Nashville 12/05 and earned two certificates in Massage Therapy 10/95 and 10/99 from Capelli Massage Therapy School. Mr. Miller has not earned a degree in or a degree related to Massage Therapy.

- The following faculty members, according to the Faculty Personnel Reports, appear to have less than the required 3 or 4 years of practical work experience in the field in which they are currently teaching and therefore are not in compliance with Section III B(4) of the Standards of Accreditation or the Commission's grandfathering provisions for faculty:

1. Shelia Annette Enderle: Hired 9/22/03; has 2 years of teaching experience, but only 2 years and 1 month of practical work experience in the Computer Networking & Security field.
2. Lori Alexander-Mabry: Hired 3/7/05; has a related degree and 8 years of teaching experience, but only 8 months of practical work experience in the Surgical Tech field.
3. Frederick Tookes: Hired 9/24/04; has 1.5 years of graduate teaching experience, but less than 2 years of practical work experience in Graphic Design and Animation field.

- The following faculty members, according to the Faculty Personnel Reports, do not appear to have received adequate training in instructional methods and teaching skills and therefore, are not in compliance with Section III (A)(8) of the Standards of Accreditation:

1. Paul V. Berry
2. Kwadwo A. Bonsu
3. Hany Brockington
4. Sandee Chamberlain
5. Miriam Gresham
6. Julian Herring
7. Tiffany McNair
8. William B. Stallings
9. Deborah Tuminello

HIGH-TECH INSTITUTE—NASHVILLE (TOTAL FACULTY = 57)

General Education Faculty

- Nine full-time faculty and two part-time faculty.
- The following faculty members appear to lack appropriate academic coursework and preparation to teach the general education courses assigned to them (Section III (B)(5), Standards of Accreditation):

1. Michael Brown appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking and Problem Solving.
2. Christa Leslie appears to lack appropriate academic coursework and preparation to teach GE 205 Engaging in Communication.
3. Jeff Lilienthal appears to lack appropriate academic coursework and preparation to teach GE 104 Critical Thinking and Problem Solving.

Technical/Occupational Faculty

- Forty-six full-time faculty.
- The following faculty appear to lack the requisite practical experience to teach technical courses:

1. Brian Bigelow does not appear to have 3 years of practical experience or related coursework to qualify to teach GS 120, Financial Principles.
2. Mike Brown does not appear to have 3 years of practical experience or related coursework to teach GS 120, Financial Principles.
3. Christa Leslie does not appear to have the requisite years of practical experience to teach Computer Applications.

- The following faculty members who currently have the required educational credentials, were hired prior to earning the required degree. These degrees were earned from four remote campuses while these faculty members were teaching in Nashville. Four of these faculty members are grandfathered, but must show the requisite practical experience and/or equivalent training in the field for, as appropriate, academic or occupational degree programs. Accordingly, HTI must submit transcripts for the degrees conferred for the following faculty and evidence that they have the required academic background and experience to meet the Commission's faculty credentialing requirements under the current standards or grandfather provisions:

1. Jeff Beck: Hired 6/28/04; earned AS degree in Computer Networking from HTI—Phoenix 10/04.
2. T. Gail Fite: Hired 4/21/03; earned AS degree in Medical Assisting from HTI—Phoenix 10/04.
3. Jennifer Hall: Hired 12/8/03; earned AS degree in Medical Assisting from HTI—Phoenix 1/05.
4. Sherlynn J. Hesson: Hired 9/29/04; earned AS degree in Dental Assisting from the Bryman School—Phoenix 2005.
5. Phyllis Lame: Hired 7/6/05; earned AS degree in Dental Assisting from the Bryman School, Phoenix 1/06.

6. Gary Mason: Hired 4/11/05; earned AAS degree in Surgical Tech from High-Tech Institute, Nashville 3/06.

7. Rachel Obptande: Hired 3/28/05; earned AS degree in Dental Assisting from Bryman School, Phoenix 11/05.

8. Rhonda Shinn: Hired 1/21/02; earned AS degree in Medical Assistant from High-Tech Institute, Phoenix 11/03 and a BS degree in Health Care Management from HTI—Phoenix 12/05.

9. Mary Elizabeth Watford: Hired 7/22/02; earned AAS degree in Massage Therapy from HTI—Phoenix 12/05.

• According to the Faculty Personnel Reports, the following faculty members have not earned or do not possess a degree related to the courses they are currently teaching and there is no showing of outstanding professional experience or contributions to the occupational field of study. Therefore, the qualifications of these faculty do not appear to be in compliance with Section III (B)(4) of the Standards of Accreditation:

1. Jennifer Campbell: Hired 3/27/06; as listed under responsibilities on her Faculty Personnel Report that she is responsible for externship and teaching courses in the Surgical Tech program; earned a certificate in Surgical Tech (5/95), but has not earned a related degree. In addition, she is not in compliance with qualifications for supervising externships under Section II (A)(6)(c)(2) of the Standards of Accreditation. The record did not include evidence of an extraordinary contribution to the professional field.

2. Jennifer Cassel: Hired 8/8/05; as listed under responsibilities on her Faculty Personnel Report she is responsible for externship and teaching courses in the Surgical Tech program; earned a certificate in Surgical Tech (5/95), but has not earned a related degree. In addition, she is not in compliance with the Section II (A)(6)(c)(2) of the Standards of Accreditation and the qualifications for supervising externships. The record did not include documentation of extraordinary contribution to the professional field.

HIGH-TECH INSTITUTE—ST. LOUIS PARK (TOTAL FACULTY = 29)

General Education Faculty

• Seven full-time faculty and one part-time faculty.

• All faculty appear to be in compliance with Section III (B)(5) of the Standards of Accreditation for teaching general education courses.

Technical/Occupational Faculty

• Twenty full-time faculty; one part-time faculty.

•According to the Faculty Personnel Reports, the following faculty member has not earned or does not possess a degree related to the courses currently being taught and there is no showing of outstanding professional experience and contributions to the occupational field of study. Therefore, the qualifications of this faculty member does not appear to be in compliance with Section III (B)(4) of the Standards of Accreditation.

1. Rob Olson: Hired 1/9/06; earned a BS degree in Education (8/90) and a certificate in Massage Therapy (4/02), but has not earned a related degree at the same level of the courses he is teaching.

HIGH-TECH INSTITUTE—SACRAMENTO (TOTAL FACULTY = 2)

• Computer Networking & Security program is being discontinued at the end of November 2006.

General Education Faculty

• One full-time faculty.

• Stephanie Sandahl appears to lack appropriate academic coursework and preparation to teach GE 250 Engaging in Communication and therefore, is not in compliance with Section III (B)(5) of the Standards of Accreditation.

Technical/Occupational Faculty

• One full-time faculty.

• Jarnail Hayer appears to have 3 years and 6 months of teaching, but less than two (2) years of practical work experience in computer networking and therefore, is not in compliance with Section III (B)(4) of the Standards of Accreditation.

FACULTY QUALIFICATION ISSUES—RESPONSE REQUIREMENTS

Based on the foregoing, the Commission requires each school listed on pages 1–2 of this letter to submit the following documentation that shows the background and qualifications of faculty teaching in each program in the following format:

a. Each school must supply the Commission with a narrative explanation regarding the findings contained in this letter as well as an overall description of the school's current state of compliance with ACCSCT faculty qualification standards as cited.

b. Each school must complete the enclosed Faculty Qualification Evaluation Matrix for *all* general education, applied general education, and technical/occupationally related course faculty as well as an ACCSCT Faculty Personnel Report for each faculty member. A detailed explanation of faculty qualifications can be appended to the Faculty Personnel Report for any faculty member whose background/qualifications are not readily apparent from the information required by that form. An electronic version of the Faculty Qualification Evaluation Matrix can be obtained via email by contacting Leah Matthews at *lmatthews@accsct.org*.

c. Each school must also include a course outline for each program listing each individual course and course description and the faculty assigned to teach that course.

d. Each school must submit comprehensive policies, procedures and hiring criteria for all faculty positions and submit evidence of implementation.

The school's response must demonstrate that appropriate changes have been made in teaching assignments so that all faculty meet accreditation standards governing qualifications, experience, and preparation. Grandfather provisions and the professional contribution exception set forth in Section III(B)(4) are to be used judiciously and must be supported with documentation.

GENERAL EDUCATION ISSUES

HTI must demonstrate that the general education courses offered by HTI schools meet ACCSCT accreditation requirements under Section II (B) of the Standards of Accreditation. A careful review of courses listed as general education and offered at the HTI schools indicates that not all courses may qualify as college-level courses; or meet the Commission's requirements/definition for general education courses under Section II (B)(1)(g) of the Standards of Accreditation. Degree programs may not include an appropriate mix of general education and technical course work as required.

A. General Education Classifications

Several courses listed by HTI as within its general education framework do not appear to meet the Commission's definition of general education and appear to be more in line with the Commission's definition of technical or occupationally related courses when reviewed within the context of the schools' degree programs (Section II (B)(1)(g–i) of the Standards of Accreditation). The Commission found that the following courses should be removed by HTI from the general education classification within its degree programs and not counted toward the required credit hours to satisfy the general education requirement. The Commission determined that these courses are directly related to the occupational objectives of the degree programs and thus do not meet the Commission's definition of general education[4]:

- GS 120 Financial Principles
- GS 202 Risk Management
- GS 206 Computer Application
- GE 406 Business Consumers
- GE 406 Principles of Business
- GE 402 Principles of Management
- GE 401 Environmental Design Trends
- GE 320 Advanced Financial Principles

B. General Education Course Content

The Commission determined that there are several courses listed in the general education curriculum that need further review to determine if they meet the Commission's requirements (Section II (B)(1)(b & g–i), Standards of Accreditation). Several of the HTI general education course descriptions are vague as to the primary content of the course and do not clearly show that the courses are appropriately cat-

[4] HTI's continued classification of these courses as General Education may impact the determination of faculty qualification issues raised above.

egorized as general education or that the courses include content expected at the college level. Therefore, additional information is necessary to include the syllabi, course content, specific learning objectives, and textbooks to determine if the courses in question meet accepted requirements for college-level work.

- When reviewing the general education offerings at HTI, it was necessary to differentiate between courses that were general education and those courses that were better categorized as applied general education, and technical/occupational courses. To accomplish this task, course descriptions were analyzed and matched to the appropriate standards—Sections II B (1)(b) & (g–i), Standards of Accreditation.
- When reviewing the general education course offerings at HTI, the Commission found that many courses have different course numbers, but identical course descriptions. Although not specifically required by accrediting standards, an HTI system-wide common course numbering system would enhance the organizational structure of the general education curriculum and could facilitate student transfer from one campus to another.
- GE 101 English offered at HTI—Phoenix and GE 131 English offered at HTI—St. Louis Park have identical course descriptions. As outlined in the course description, however, the course content deals with grammar and mechanical accuracy and therefore, appears to be more of a remedial course rather than a general education course, A further analysis of syllabi, course content, specific learning objectives and a listing of the course textbook(s) needs to be conducted prior to accepting GE 101 English and GE 131 English as college-level general education courses.
- GE 104 Critical Thinking and Problem Solving is offered at HTI—Marietta and HTI—Kansas City, GE 114 Critical Thinking and Problem Solving is offered at HTI—Phoenix and HTI—St. Louis Park, and GE 206 Critical Thinking and Problem Solving is offered at HTI—Sacramento. All of the courses have the same course description. As outlined in the course description, the course appears to deal with making decisions based on interpretation of human communication. Since the course level and content is vague, a further analysis of the course syllabi, course content, specific learning objectives, and a listing of the course textbook(s) is necessary prior to accepting GE 104, GE 114, and GE 206 Critical Thinking and Problem Solving as college-level general education courses.
- GE 205 Engaging in Communication offered at HTI—Phoenix, HTI—Kansas City, and HTI—Nashville; GE 225 Engaging in Communication offered at HTI—Phoenix; and GE 250 Engaging in Communication offered at HTI—Sacramento all have the same course description. From the course descriptions and Faculty Personnel Reports, it appears that HTI—Phoenix offers the course under two different numbers. As outlined in the course description, the course content appears to deal more with basic spoken communication skills. A further analysis of course syllabi, course content, specific learning, objectives, and a listing of the course textbook(s) needs to be conducted to determine the specific course content and prior to accepting GE 205, GE 225 and GE 250 Engaging in Communication as a college-level general education course.
- GE 209 College Math and GE 209 and 229 Quantitative Literacy have the same course description. This course offered at HTI—Phoenix, HTI—Marietta and HTI—St. Louis Park does not appear to meet the universally accepted requirements for a college-level general education course. As outlined in the course description, the course content appears to deal with a survey of different mathematical tools and areas of study. A further analysis of syllabi, course content, specific learning objectives, and a listing of the course textbook(s) needs to be conducted prior to accepting GE 209 College Math as a college-level general education course.
- GE 210, GE 221 and GE 270 Dimensions of Human Relations have the same course description. This course, though it has been listed within the Social and Behavioral Sciences area of study for the purposes of this review, warrants further review of the syllabi, course content, specific learning objectives, and course textbook(s) to determine if the course should more appropriately be categorized as Technical/Occupational.

C. General Education Scope

The review of the general education curriculum indicates that none of the HTI schools are in compliance with accrediting standards that require that academic degree programs include general education courses in written and oral communication and quantitative principles with the remainder of general education courses providing an appropriate balance of physical and natural science, social and behavioral sciences, and humanities and fine arts (Section II (B)(2)(d)(1) & II (B)(3)(a), Standards of Accreditation).

As shown in the General Education Curriculum Matrix below, the majority of general education courses offered at each institution fall into two categories, written and oral communication and social and behavioral sciences. Only three institutions offer general education courses in quantitative principles: Phoenix (GE 209 College Math); Marietta (GE 209 Quantitative Literacy); St. Louis Park (GE 229 Quantitative Literacy). Only one institution offers a general education course in physical and natural sciences: Phoenix (GE 303 Human Biology). None of the institutions offer general education courses in the Humanities and Fine Arts. Only two institutions offer a general education course in ethics, HTI—Marietta (GE 102 Ethics) and HTI—St. Louis Park (GE 122 Ethics).

HTI—GENERAL EDUCATION CURRICULUM MATRIX GENERAL EDUCATION COURSES OFFERED BY AREA OF STUDY

This matrix aligns the general education coursework with each campus. Based upon the material submitted by the schools, it does not appear that general education curricula is offered in a consistent fashion or that the scope meets the Commissions requirements under Sections II (B)(2)(d)(I) & II (B)(3)(a) of the Standards of Accreditation.

	Phoenix	Sacramento	St. Louis	Nashville	Marietta	Kansas
Written & Oral Communication:						
101 English	x					
104 Critical Thinking	x			x	x	x
105 Public Speaking					x	
114 Critical Thinking	x	260*	x			
131 English			x			
205 Engage in Communication	x	250*		x		x
225 Engage in Communication	x					
Quantitative Principles:						
209 College Math	x					
209 Quantitative Literacy					x	
229 Quantitative Literacy			x			x
Physical & Natural Science:						
303 Human Biology	x					
Social & Behavioral Science:						
122 Ethics			x		102*	
203 General Psychology	x	240*		x	x	x
210 Dimension of Hum Relations		270*		x	x	x
215 Intro to Sociology	x			x		x
221 Dimension of Hum Relations	x					
223 Gen Psychology	x			x		
230 Intro to Sociology	x		x			
301 Life Span of Hum Dev	x					
Humainties & Fine Arts:						
None.						

* Offered at another HTI campus with a different number.

General Education Issues—Response Requirements

Based on the foregoing, the Commission requires each school listed on pages 1–2 one of this letter to submit the following documentation as applicable:

a. Each school must supply the Commission with a narrative explanation regarding the findings contained in this letter as well as an overall description of the school's current state of compliance with ACCSCT degree content and general education standards as cited.

b. A course outline for each degree program offered that highlights the courses classified as general education;

c. A detailed course description and the syllabus and textbook(s) used for each general education course;

d. A detailed explanation from the school as to why:

1. The school believes each course is appropriate to be classified as general education under the Commission's definitions and given the overall objectives of the degree program of which it is a part;

2. Why the school believes the collection of general education courses required for each degree program meets the requirements of Sections II (B)(2)(d)(I) and II (B)(3)(c) of the Standards of Accreditation as applicable; and

3. Why the school believes each general education course represents instruction appropriate to the level and type of degree awarded (Section II (B)(I)(b), Standards of Accreditation).

INTEGRITY OF DEGREES AWARDED ISSUES

In reviewing the credentials of faculty members, the Commission noted that a number of HTI faculty members have earned their degrees at HTI campuses, many of them through the on-line division—Anthem College. In its review of the faculty credential audit submitted by HTI, it appears that 37 faculty earned their degrees from HTI (see the Faculty Credentials Matrix below). The Commission found this number to be unusually high and thus looked more closely at the manner in which these degrees were conferred. In its review, the Commission found several questionable practices which have highlighted concerns relative to HTI's overall compliance with Section II (B) of the Standards of Accreditation specifically regarding (a) the manner in which HTI awards credits and degrees and (b) the overall integrity of the degrees awarded. Moreover, the Commission questions whether HTI used its online division to award degrees to faculty simply to meet ACCSCT faculty credentialing requirements. In its review, the Commission noted that the amount of time required for its faculty members to complete their degrees was so short that serious questions arise as to the integrity and rigor of the programs. The Commission has included several specific examples of its concerns below:

Example #1—Janet Prettyman

Janet Prettyman is the Massage Therapy Program Manager/Instructor/Externship Supervisor for the associate degree and diploma programs at The Bryman School in Tempe, AZ. Ms. Prettyman's transcript indicates the following:

- Ms. Prettyman earned her AAS degree in less than 5 months from HTI—Nashville.
- 44 credit hours—Eleven 4-credit hour courses—presumably were transferred into the program, for which she received a grade of "E."
- The remaining seven courses were completed between the dates of February 6, 2006 and July 21, 2006, according to the following schedule:
  - From February 6, 2006 through March 7, 2006, Ms. Prettyman completed *Critical Thinking and Problem Solving* (4.7 credit hours);
  - From March 13, 2006 through April 12, 2006, Ms. Prettyman completed *Engaging in Communication* (4.7 credit hours);
  - From April 17 through May 18, 2006, Ms. Prettyman completed *General Psychology* (4.7 credit hours);
  - From May 22, 2006 until June 21, 2006, Ms. Prettyman completed *Dimensions of Human Relations* (4.7 credit hours); *Financial Principles* (4.3 credit hours); *Risk Management* (4.3 credit hours); and *Computer Applications* (3.5 credit hours).

Based upon the school's information, it is unclear from where the 44 credit hours were transferred and what the "E" grade means. In addition, Ms. Prettyman would have had to complete four courses, totaling 16.8 credit hours during a period of approximately 5 weeks, presumably while working full-time at the Bryman School in Tempe, AZ. (According to Ms. Prettyman's Faculty Personnel Report she was initially hired at the school as a full-time employee on September 4, 2001.) Therefore, it appears that Ms. Prettyman would have been a full-time employee in Tempe, AZ during the time when she was completing her degree at High-Tech, Nashville. It is unclear how Ms. Prettyman could have completed her degree at the High-Tech, Nashville campus while working full-time at The Bryman School in Tempe, AZ. The High-Tech, Nashville campus does not have a distance education program.

In addition, the Commission found the school's practice of awarding 3.5 to 4.7 credits per class to be unusual, particularly given the short periods of time in which those credits appear to have been earned/awarded by HTI. This practice does not appear to be aligned with general practices in higher education for the award of degrees and the Commission is unsure if it is even feasible to earn the number of credits awarded to Ms. Prettyman in just 5 weeks.

Example #2—Erin Mariano (Openshaw)

Erin Mariano is a faculty member at The Bryman School in Tempe, AZ. In response to a concern cited by an on-site evaluation team regarding Ms. Mariano's qualifications and the award of an associate degree from HTI through its on-line division, the school indicated that Ms. Mariano earned her associate's degree from HTI's on-line division in May 2006 and that the granting of her associate's degree was based on credits earned at another institution, previous work experience, a passing score on an examination, and credits she earned at High-Tech Institute's on-line division. A review of this information, however, shows the following:

- Ms. Mariano's (Openshaw) transcript from Occupational Training Center in Phoenix, AZ indicates she was enrolled from ***November 20, 1996 to May 7, 1996***;
- Ms. Mariano's (Openshaw) transcript from Mesa Community College shows that she failed 4 courses, received a "D" grade in 4 courses, withdrew from 11 courses, and received a grade of "C" or higher in only 9 courses;
- The school submitted no evidence of prior work experience or how that was evaluated for the award of academic credit; and
- The school submitted no evidence of coursework completed at HTI's on-line division or a transcript of courses taken or transferred in for the award of Ms. Mariano's degree.

The response did not satisfactorily explain the basis for the award of a degree to Ms. Mariano in the context of the on-site evaluation team's original concern. The response did not explain the acceptance of Ms. Mariano's work experience for credit at HTI—particularly in light of the fact that the Commission does not allow for prior work experience to be awarded for academic credit. Moreover, the Commission could not understand why the credits she earned at Mesa Community College—where she performed poorly—were accepted for transfer or which HTI required courses were substituted for those taken at Mesa Community College. Overall, the Commission could not find that Ms. Mariano earned the degree awarded by HTI.

Example #3—Virginia Berney

Virginia Berney, a medical billing coding instructor at High-Tech, St. Louis Park, completed an AS degree through the distance education program at High-Tech, Phoenix in 4 months. Although her faculty personnel report indicates that she began the program in January 2006, her transcript states that she began the program on February 10, 2006 and graduated on May 12, 2006. The program length given on the transcript is 1,210 clock hours.

The record submitted by HTI shows that Ms. Berney transferred in eight courses and received a grade of E for each of the transfer courses. The courses were credited as follows:

Course Title	Credits	Hours
Professional Coding Practice	3.5	70
Healthcare Delivery and Insurance Management	3.5	70
Healthcare Reimbursement and Legal Issues	3.5	70
Medical Records and Documentation	3.0	70
Medical Office Procedures	3.5	70
Health Information Technology	3.0	70
Medical billing coding	3.5	70
Externship	3.5	160

These courses apparently transferred into the technical portion of the program and fully satisfied the requirements. As noted in the Team Summary Report, it is not clear how HTI determined that, that the credits from the University of Minnesota transferred into the HTI associate degree. The school's response states that Ms. Berney was hired to teach due to her more than 20 years of experience in the field and her active participation in the American Association of Health Care Administrative Management ("AAHAM"). This response does not answer the team's question regarding the determination of the transferability of Ms. Berney's credits from her 1962 certificate in Laboratory Assisting into the 2006 medical billing coding AS degree at HTI.

According to the transcript, Ms. Berney completed 8 courses in 13 weeks with a 4.0 cumulative grade point average. These courses were completed as follows:

- From February 6, 2006 until March 3, 2006, Ms Berney took *Critical Thinking and Problem Solving* for 4.7 credits (70 hours); *General Psychology* for 4.7 credits (70 hours); and *Engaging in Communication* for 4.7 credits (70 hours).
- Thus, in a period of 5 weeks, Ms Berney completed three courses worth a total of 14.1 credits (210 hours.)
- From March 13, 2006 until April 7, 2006, Ms. Berney completed *Dimensions of Human Relations* for 4.7 credits (70 hours).
- From March 13, 2006 until April 12, 2006, Ms. Berney completed *Financial Principles* for 4.3 credits (70 hours).

• From March 13, 2006 until May 9, 2006, Ms. Berney completed *Risk Management* for 4.3 credits (70 hours).

• From April 17, 2006 until May 11, 2006, Ms. Berney completed *Computer Applications* for 3.5 credits (70 hours) and Professional Development for 3.8 credits (70 hours).

• Thus, in a period of 9 weeks, Ms. Berney completed five courses worth a total of 20.6 credits (350 hours).

As with Ms. Prettyman, the Commission could not see how Ms. Berney, who presumably was teaching full-time and according to her Faculty Personnel Report, was working 40 hours each week, could have completed eight courses worth 34.7 credits (560 hours) in 13 weeks. Moreover, as in the previous two examples, the Commission could not see how Ms. Berney credibly received credit for previous coursework or work experience.

Example #4—Mary Hartle

In the July 12, 2006 Team Summary Report (for an on-site evaluation conducted at HTI—St. Louis Park, MN), the on-site evaluation team cited the inability to verify that Ms. Hartle was qualified to teach in the AAS degree program when she was hired to teach at HTI—St. Louis Park. According to the Team Summary Report, Ms. Hartle's file indicated that she had completed her associate degree at HTI—Phoenix from September 2005 to December 2005, but that the on-site evaluation team could not verify how HTI had determined that Ms. Hartle's previous educational experience had transferred into their associate degree.

The school responded to the team's concern stating that Ms. Hartle was hired as an assistant and was not given responsibility for teaching classes until she had completed her degree. The response also provided an explanation as to how the school evaluated Ms. Hartle's previous work experience to determine that she met the standard of "outstanding contribution to the field," which school managers believed qualified Ms. Hartle to teach regardless of the fact that she did not have a degree. The Commission found these explanations to be contradictory. The school made both claims as described above, but did not explain why, if school administrators believed Ms. Hartle met the requirements through her outstanding contributions to the field, she was not permitted to teach until after she had finished the HTI associate degree program.

Moreover, according to the Faculty Personnel Reports submitted with the May 24, 2006 faculty credential audit, Mary Hartle was initially employed at HTI—St. Louis Park on June 6, 2005 and she earned her degree from September 2005 through December 2005 from HTI—Nashville while working full-time at HTI—St. Louis Park. It is unclear how Ms. Hartle was able to complete this degree at HTI—Nashville in such a short period of time while working full-time at St. Louis Park. The school's response does not include transcripts from Ms. Hartle's 1999 certificate from Northern Lights School of Massage (for which credits were transferred into her AAS degree program), nor does it include a transcript for the Associate of Science from HTI—Nashville or HTI—Phoenix.

Example #5—Eric Langness

According to the Faculty Personnel Reports submitted with the May 24, 2006 faculty credential audit, Eric Langness completed a degree at HTI—Nashville, while working full-time at HTI—St. Louis Park.

According to Eric Langness's Faculty Personnel Report, Mr. Langness began employment as a full-time instructor at HTI, St. Louis Park on March 22, 2005. Mr. Langness completed an Associate Degree in X-Ray Technology at HTI—Nashville beginning in September in 2004 and graduating in June 2005. It is unclear how Mr. Langness was able to complete this degree at HTI—Nashville in such a short period of time and while working full-time at HTI—St, Louis Park.

While the examples listed above provide specific details regarding the Commission's findings, the matrix below lists other faculty members who were awarded a degree credential from HTI, many under what appear to be similar circumstances.

HTI FACULTY CREDENTIAL MATRIX

High-Tech Institute—Phoenix, AZ (ACCSCT School #M001392)

Instructor	Program	Institution awarding degree	Start date	End date	Credential
Craig Tibbetts	CAD/Drafting Technology	HTI—Phoenix	6/1/1998	9/1/1999	AOS
Floyd McWilliams	CAD/Drafting Technology	HTI—Phoenix	6/1/1994	9/1/1995	AOS

High-Tech Institute—Phoenix, AZ (ACCSCT School #M001392)—Continued

Instructor	Program	Institution awarding degree	Start date	End date	Credential
Don Hunter	CAD/Drafting Technology ...	HTI—Phoenix	1/1/1987	3/1/1988	AOS
Ed Argusta	CAD/Drafting Technology ...	HTI—Phoenix	12/1/1995	12/1/1996	AOS
Steve Pagan	Computer Networking & Security.	HTI—Phoenix	6/1/2004	12/1/2004	AS
Eddy Fox	Computer Networking & Security.	HTI—Phoenix	5/1/2005	10/1/2005	AOS
Kenneth Dworshak	Computer Networking & Security.	HTI—Phoenix	4/1/1998	7/1/1999	AOS
Octavio Martinez	Electronics Technology	HTI—Phoenix	8/1/1998	11/1/1999	AOS
Kevin Scott	Graphic Design & Animation.	HTI—Phoenix	4/1/2004	7/1/2005	AS
Juanita Andrade	Medical Assistant	HTI—Phoenix	6/12004	2/1/2005	AS
Michelle Hughes	Medical Billing & Coding ..	HTI—Phoenix	1/1/2005	8/1/2006	AA
Sandy McVety	Medical Billing & Coding ..	HTI—Phoenix	9/1/2005	5/1/2006	AS

High-Tech Institute—Kansas City, MO (ACCSCT School #B070636)

Instructor	Program	Institution awarding degree	Start date	End date	Credential
Tanya S. Galusha	Massage Therapy	HTI—Nashville	2/1/2004	9/1/2004	AAS
Ella Moore-Ashley	Medical Billing & Coding ..	HTI—Phoenix	8/1/2004	1/1/2006	AS
Candyce Overbay	Surgical Technology	HTI—Nashville	11/1/2004	1/1/2005	AAS

High-Tech Institute—Marietta, GA (ACCSCT School #B070520)

Instructor	Program	Institution awarding degree	Start date	End date	Credential
Shelia Annette Enderle.	Computer Network & Security.	HTI—Phoenix	2/1/2005	8/1/2005	AS
William C. Miller	Massage Therapy	HTI—Nashville	9/18/2005	12/23/2005	AAS
Paul V. Berry	Massage Therapy	HTI—Nashville	7/1/2003	4/1/2004	AAS
Melanie Charvat	Medical Assisting	HTI—Phoenix	1/1/2005	3/1/2005	AS
Miriam Gresham	Medical Billing & Coding ..	HTI—Phoenix	9/1/2005	1/1/2006	AS
Cheryl M. Wilson	Surgical Technology	HTI—Nashville	12/1/2004	2/1/2005	AAS
Lori Alexander-Mabry	Surgical Technology	HTI—Nashville	8/1/2005	11/1/2005	AAS
Renee V. Fouche	Surgical Technology	HTI—Nashville, Phoenix, AZ.	2005	2005	AS

High-Tech Institute—Nashville, TN (ACCSCT School #B070322)

Instructor	Program	Institution awarding degree	Start date	End date	Credential
Jeff Beck	Computer Networking	HTI—Phoenix	7/1/2004	10/1/2004	AS
Phyllis Lame	Dental Assistant	The Bryman School—Phoenix.	8/1/2005	1/1/2006	AS
Rachel Obptande	Dental Assistant	The Bryman School—Phoenix.	7/1/2005	11/1/2005	AS
Mary E. Watford	Massage Therapy	HTI—Nashville	6/1/2005	12/1/2006	AAS
T Gail Fite	Medical Assistant	HTI—Phoenix	1/1/2004	10/1/2004	AS
Rhonda Shinn	Medical Assistant	HTI—Phoenix	11/1/2002	11/1/2003	AS
Rhonda Shinn (same)	Medical Assistant	HTI—Phoenix	4/1/2005	4/1/2006	BS
Gary Mason	Surgical Technology	HTI—Nashville	9/1/2005	3/1/2006	AAS

High-Tech Institute—St. Louis Park, MN (ACCSCT School #B070184)

Instructor	Program	Institution awarding degree	Start date	End date	Credential
Brian Leff	Computer Networking & Security.	HTI—St. Louis Park	4/1/2003	10/1/2003	AS
Eric Langness	Limited Scope X-Ray	HTI—Nashville	9/1/2004	6/1/2005	AS
Mary Hartle	Massage Therapy	HTI—Nashville	9/1/2005	12/1/2005	AS
Thomas Wesley	Medical Assistant	HTI—Phoenix	6/1/2004	12/1/2004	AS
Sara Sell	Medical Assistant	HTI—Phoenix	5/1/2005	8/1/2005	AA
Virginia Berney	Medical Billing & Coding	HTI—Phoenix	1/1/2006	5/1/2006	AS

Integrity of Decrees Awarded Issues—Response Requirements

Based upon the foregoing, the Commission has several questions as to the award of degrees by HTI to its faculty and in general. Therefore, the Commission directs the submission of the following information:

a. A detailed explanation of the process used to enroll and award degrees to HTI's faculty;

b. An explanation regarding the award of credit for "life or work experience" and why the school believes this is an appropriate practice given that the Commission's standards do not allow such a practice;

c. An explanation of the school's transfer of credit policy and why the school believes this policy is appropriate—particularly with respect to awarding credit for academic coursework completed many years in the past (e.g., the transfer of credit for Ms. Berman from her 1962 diploma in Laboratory Assisting in the 2006 AS degree in medical billing coding);

d. A copy of the transcript for every HTI faculty member who received a degree from HTI with evidence for each one that all admissions requirements were met, a detailed explanation with evidence for each one regarding all credit transferred in or applied to the degree, and evidence for each one of completed coursework for all credit awarded by HTI;

e. A detailed explanation as to how faculty earned degrees from HTI in what appear in some cases to be an unreasonably short period of time—particularly when working full-time as a faculty member at HTI (e.g., a copy of Ms. Berman's work and class schedules at High-Tech, St. Louis Park during the period beginning January 2006 and ending May 2006);

f. A clock hour to credit hour conversion for every degree program;

g. A detailed explanation as to how HTI awards credit through its online division and the credit formula used for the award of all credits through its online division; and

h. A detailed explanation as to why the school is awarding such credit amounts as 4.7 credits in as little as 4–5 weeks and how the school determined this to be appropriate given its credit award formulas.

ANTHEM COLLEGE ISSUES

In its March 10, 2006 letter to HTI, the Commission indicated that it had reviewed the Web site for High-Tech Institute and found that the description of Anthem College Online may be misleading with respect to Anthem College, its relationship to High-Tech Institute, its training and services, and its accredited status (Section IV (D)(1), Standards of Accreditation). As first stated in the March 10, 2006 letter, the Commission remains concerned that the school's advertising practices mislead consumers to believe that Anthem College On-line operates as a separate institution and has separate accredited status. The basis for the Commission's concern is the continuing inquiries regarding the accreditation of Anthem College from various sources who are confused about Anthem College and its affiliation with HTI. This has led the Commission to conclude that HTI has not taken the steps necessary to (a) ensure its compliance with Section IV (D)(1) of the Standards of Accreditation or (b) to ensure that students are fully informed of the HTI's accreditation status (i.e., Anthem College is not an accredited entity). Accordingly, the Commission directs HTI to submit the following:

a. An explanation from HTI regarding the steps it has taken to ensure the clear and accurate depiction of its operations and why the school believes its advertising complies with accreditation requirements and expectations;

b. Copies of all forms of advertising used by HTI for the promotion of its distance education programs and Anthem College.

If HTI does not show that necessary corrective action has been taken on this issue, after having had numerous warnings from ACCSCT, this may become a ground for an adverse action, to include the revocation of the school's distance education approval or revocation of HTI—Phoenix's accreditation.

INDIVIDUAL SCHOOL ACTIONS

As stated in the opening paragraph of this letter, the Commission also reviewed several HTI schools independent of the faculty audit. The Commission took additional actions, in addition to the system-wide Probation Order and the grounds listed above, for the following schools (details for each school follow on the chart):

School	City	St	School #	Reason for review	November 2006 action
High-Tech Institute	Phoenix	AZ	M001392	Faculty Audit/Stipulation Review/Substantive Change Evaluations (Distance Education Application and Branch Campus Application Part I.	Systemwide Probation; Defer Final Action on Stipulation Review, Application for a Branch—Part I and Distance Education report.
High-Tech Institute	St. Louis Park	MN	B070184	Faculty Audit/Deferral of Probation from August 2006 meeting/Application for Renewal of Accreditation/Substantive Change Evaluations (Degree and Unrelated New Non-Degree Programs).	Systemwide Probation (Continued Probation).
High-Tech Institute	Marietta	GA	B070520	Faculty Audit/Application for Renewal of Accreditation/Substantive Change Evaluations (Degree and Unrelated New Non-Degree Programs/Outcomes and Faculty Retention Report/Anonymous Complaint).	Systemwide Probation; Defer Final Action on Application for Renewal of Accreditation; Degree Program, Unrelated New Program; Outcomes Report; and Faculty Retention Report.
High-Tech Institute	Orlando	FL	B070257	Outcomes Report/2005 Annual Report Outcomes Data.	Systemwide Probation, Outcomes Reporting.
High-Tech Institute	Las Vegas	NV	B070605	2005 Annual Report	Systemwide Probation, Outcomes Reporting.
High-Tech Institute	Kansas City	MO	B070636	Faculty Audit/Substantive Change Evaluation (Degree Program).	Systemwide Probation, Defer Final Action on Substantive Change Applications.
High-Tech Institute	Sacramento	CA	B067810	Faculty Audit/Outcomes Report/Program Advisory Committee Report.	Systemwide Probation, Remove from Reporting.
High-Tech Institute	Nashville	TN	B070322	Faculty Audit/2005 Annual Report.	Systemwide Probation, Accept Report.
The Bryman School	Phoenix	AZ	M059048	Unresolved Complaint/ 2005 Annual Report Outcomes Data.	Systemwide Probation; Close Complaints; Externship Reporting; Outcomes Reporting.
The Bryman School	Tempe	AZ	B070784	Application for Renewal of Accreditation/Stipulation (November 2005 meeting).	Systemwide Probation, Defer Final Action on the Application for Renewal of Accreditation.

School	City	St	School #	Reason for review	November 2006 action
Cambridge College ...	Bellevue	WA	B070781	Faculty Audit/Application for Renewal of Accreditation—Stipulation Review/Substantive Change Evaluations (Branch Campus Application Part II and Unrelated New Programs).	Systemwide Probation; Defer Final Action on the Application for Renewal of Accreditation, Stipulation Review, Substantive Change Applications.
Cambridge College ...	Aurora	CO	B069310	Substantive Change Evaluation (Degree Program).	Systemwide Probation, Defer Final Action on Substantive Change Application.

HIGH TECH INSTITUTE—PHOENIX, AZ (ACCSCT SCHOOL #M001392)

At its November 2006 meeting, the Commission considered the Application for a Branch Part I, Distance Education Report, and the October 10, 2006 stipulation response submitted by HTI located in Phoenix, AZ.[5] Upon review of the information, the Commission moved to defer action on the Application for a Branch-Part I and the Distance Education Report until February 2007 pending satisfaction of the September 14, 2005 stipulations and resolution of the system-wide Probation Order.

Upon review of HTI—Phoenix's response to the stipulations, the Commission determined that the school did not demonstrate that the city of Phoenix Scholarship was administered according to the guidelines set forth in the partnership agreement between HTI—Phoenix and the city of Phoenix (Section VIII (D)(2), Standards of Accreditation). Specifically, Ordinance #S18376 which is included in the school's response, defines the timeframe of the scholarship as a 10-year period beginning in March 1989, and limits the instruction provided by the scholarship to 900 hours of free electronics and drafting instruction. However, the list of scholarship recipients included in the response is dated 2004, and the advertisement for the scholarship is targeted at Medical Assisting students. Therefore, HTI—Phoenix must demonstrate that it has administered the scholarship according to the agreement between the school and the city of Phoenix. HTI—Phoenix must submit either an amended agreement between HTI—Phoenix and the city of Phoenix which indicates that the timeframe for the scholarship has been extended and that the definition of instruction has been expanded to include Medical Assisting instruction or documentation to demonstrate that the school has stopped awarding this scholarship.

High Tech Institute—St. Louis Park, MN (ACCSCT School #B070184)

At its November 2006 meeting, the Commission considered its previous decision to continue HTI located in St. Louis Park, MN on Probation and the Application for Renewal of Accreditation. The Commission reviewed the following:

- Upon review of the September 8, 2006 Continued Probation Order and the school's response in conjunction with its previous actions,[6] the Commission determined that the school has still not fully demonstrated compliance with accreditation standards and successful student achievement.
- Upon review of the July 12, 2006 Team Summary Report and the school's response to that report, the Commission determined that HTI—St. Louis Park did not fully demonstrate compliance with accreditation standards relative to Student Outcomes, Program Advisory Committees, and Student Satisfaction.

Therefore, the Commission voted to continue the Probation Order with another good cause extension pending demonstration that the school has met the Standards

[5] At its August 2005 meeting, the Commission considered the Application for a Branch—Part 1 and the Outcomes Report for the Computer Electronics program submitted by HTI—St. Louis Park. Upon review of the April 21, 2005 on-site evaluation report, the school's May 10, 2005 response to the report, and the June 29, 2005 Outcomes Report, the Commission moved to accept the reports with four stipulations, including this stipulation that the school provide additional information about the city of Phoenix Scholarship.

[6] At its August 2005 meeting, the Commission voted to place HTI—St. Louis Park on probation. At its January 2006 meeting, the Commission voted to continue the school on Probation. At its August 2006 meeting, the Commission voted to continue the school on probation with a good cause extension.

of Accreditation with respect to Student Outcomes, Program Advisory Committees, and Student Satisfaction. This decision is in keeping with the Commission's maximum timeframe requirements (Process and Procedure, Commission Actions, Standards of Accreditation).[7] The history of and reasons for the Commission's decision, in addition, to those already cited in this letter, are set forth below.

History

The Commission's review of HTI—St. Louis Park began at its February 2005 meeting. At that meeting, the Commission ordered HTI—St. Louis Park to show cause as to why its accreditation should not be revoked due to a pattern of noncompliance with ACCSCT student achievement standards. At its August 2005 meeting, the Commission determined that HTI—St. Louis Park had not demonstrated compliance in regard to student achievement and voted to place the school on Probation. At its February 2006 meeting, the Commission determined that HTI—St. Louis Park had not yet demonstrated compliance with the Standards of Accreditation in relation to student achievement and faculty qualifications and voted to continue the school on Probation until August 2006. At its August 2006 meeting, the Commission determined that the school had not fully resolved the concerns relative to student achievement; however, the Commission gave the school a good cause extension to its maximum timeframe to achieve compliance with accrediting standards.

November 2006 Review and Action

1. HTI—St. Louis Park must demonstrate successful student achievement as required by Section VII (C) of the Standards of Accreditation. Upon review of the school's response to the July 12, 2006 Team Summary Report, the Commission noted that the school, while demonstrating progress, still did not demonstrate rates of student achievement for all programs in compliance with the Standards of Accreditation as shown in the table below:

Program	Length in months	HTI—SLP graduation rate [In percent]	ACCSCT required graduation rate [In percent]	HTI—SLP employment rate [In percent]	ACCSCT required employment rate [In percent]
Medical Assisting Degree	14	***46***	49	78	70
Surgical Technologist Degree	19	46	38	71	70
Limited Scope X-ray Technologist Degree	15	39	49	82	70
Massage Therapy Degree	17	***44***	49	100	100

Note 1: Rates in bold print represent those below the Commission's minimum requirements.

Note 2: The graduation and employment rates in the Surgical Technologist AAS degree have come into compliance, and the rates in the Medical Assisting AAS, Limited Scope X-Ray Technician AAS, and Massage Therapy AAS have improved, but do not yet meet the standard. HTI—St. Louis Park's October 10, 2006 response to the September 8, 2006 Continued Probation Order contained the same Graduation and Employment data that had been previously submitted to the Commission.

While the Commission recognizes the school's improvement in graduation rates, the Commission has determined that continued Probation and on-going monitoring of the school as it moves toward compliance with accrediting standards is the appropriate course of action. Due to the school's prolonged history of reporting, the Commission will continue the Probation Order until such time as the rates are fully in compliance with accrediting standards. If the school does not achieve compliance, the Commission may take an adverse action against HTI—St. Louis Park.

Accordingly, HTI—St. Louis Park must submit the following:

a. Graduation and Employment Charts for the Medical Assistant degree, Limited Scope X-Ray Technician degree, and Massage Therapy degree programs, prepared in accordance with the enclosed instructions. The school is directed to use a **June 2007 Report Date** when preparing the Graduation and Employment Charts. Please use the Graduation and Employment Chart found on the Commission's Web site at *www.accsct.org*.

b. All necessary supporting documentation for each Graduation and Employment Chart organized according to the corresponding **cohort start date** reported on the chart (line #1).

[7] In accordance with ACCSCT policies and standards, the Commission can extend the period of Probation where, as here, there is reason to believe that the institution has made progress toward full compliance with accreditation requirements.

c. Supporting documentation for graduation rates which must include at a minimum, the name of each student enrolled and a corresponding program completion transcript for each student classified as a graduate.

d. Supporting documentation for employment rates, which at a minimum, must include the name of the graduate, telephone number of the graduate, name of employer, contact person at the place of employment, employer telephone number, and information (e.g., job title, job brief description) that demonstrates that the employment is training related.

e. HTI—St. Louis Park must support with appropriate and verifiable documentation any student classified as "Unavailable for Graduation" (line #6), "Graduates—Further Education" (line #11), "Graduates—Unavailable for Employment" (line #12) or "Non-Graduated Students Who Obtained Training Related Employment" (line #19).

If any reported graduation or employment rate falls more than one standard deviation below the mean for comparable programs, the school may attempt to take into account economic conditions, location, student population served, length of program, State requirements, and other external factors reasonably related to student achievement. A detailed explanation as to how these factors impact the institution's graduation and employment rates must be included (see Section VII (C), Standards of Accreditation).

2. HTI—St. Louis Park must demonstrate that its Program Advisory Committees ("PACs") have reviewed and commented on, at least annually, the objectives of each program, the adequacy of facilities and equipment and on student graduation and graduate employment rates as required by Section II (A)(4)(a & c) of the Standards of Accreditation. Upon review of the HTI—St. Louis Park's response to the July 12, 2006 Team Summary Report, the Commission determined that although the school submitted additional information regarding its PAC meetings, the school's response also indicated that future PAC meeting minutes will include the results of surveys completed by PAC members to ensure documentation of the review and comments of the members. Given the school's history of noncompliance with this requirement and the importance of the role that PACs play in a school's operations—particularly with respect to aiding in successful student achievement—the Commission determined that additional monitoring is required. Therefore, the Commission directs HTI—St. Louis Park to conduct at least one set of PAC meetings (one for each program area) prior to the date that the school's response to this letter is due and to show a nexus between these meetings and the PAC review and comments from previous meetings and to explain how the school has used its PACs in an effective way aimed toward institutional improvement and student achievement.

3. In the July 12, 2006 Team Summary Report, the team expressed concerns in the following areas based on information received from the student surveys [8]:

a. Does the school accurately provide all necessary facts and details about the school in the admissions process? (Section IV, Statement of Purpose, Standards of Accreditation);

b. Is the library readily accessible during and beyond classroom hours? (Section II (A)(5) Standards of Accreditation);

c. Are instructional materials sufficient, comprehensive, and reflect current occupational knowledge and practice? (Section II (A)(3) (a & d), Standards of Accreditation); and

d. Is the training equipment sufficiently up-to-date and kept in good repair? (Section VI, Statement of Purpose, Standards of Accreditation).

The Commission reviewed the school's responses to these questions, and recognizes that the school has taken the survey results into consideration and appears to have begun to use the student survey results to enhance Institutional Assessment and Improvement planning. However, the Commission determined that continued monitoring of implementation of improvement strategies is appropriate, given the on-site evaluation team's findings. Therefore, the school must provide documentation of a new survey given to both students and faculty to show the current levels of satisfaction by students and faculty with respect to, minimally, the questions listed above. (The Commission, however, does believe that a survey that includes a broader array of questions beyond those listed above may provide better and more complete information with respect to the quality of the school's operations).

[8] The school correctly pointed to a miscalculation on the part of the team in figuring out the percentages of negative responses to these questions on the surveys. The Commission acknowledges the errors on the part of the team; however, these errors notwithstanding, the Commission still found sufficient cause to require additional follow-up and monitoring in the areas cited by the on-site evaluation team.

High-Tech Institute—Marietta, GA (ACCSCT School #B070520)

At its November 2006 meeting, the Commission considered the Application for a Degree Program for the Pharmacy Technician (AS) program, New Program Report—Unrelated New Program for the Pharmacy Technician (diploma) program, Outcomes Report, and Faculty Retention Report submitted by HTI located in Marietta, GA.[9] Upon review of the August 21, 2006 Team Summary Report, the school's October 5, 2006 response and the December 5, 2006 Outcomes and Faculty Retention Reports, the Commission voted to defer final action on the above referenced substantive change reports. The reasons for the Commissions decision, in addition to those previously set forth in this letter, follows:

1. HTI—Marietta must demonstrate successful student achievement as required by Section VII (C) of the Standards of Accreditation. The Commission determined that additional monitoring of student achievement is warranted because the school continues to report low graduation rates in the 16-month Medical Assisting Degree program, the 21-Month Surgical Technologist Degree Program and the 19- month Massage Therapy Program. The following chart records the graduation rates reported by HTI—Marietta to the Commission:

Program	Length in months	HTI graduation rate [In percent]	ACCSCT required graduation rate [In percent]
Medical Assistant Degree	16	***47***	49
Surgical Technologist Degree	21	***34***	43
Massage Therapy Degree	19	***36***	43

Note: Rates in bold print represent those below the Commission's minimum requirements.

Based upon this information and the low rates of graduation reported by HTI—Marietta, the Commission directs the school to submit an Outcomes Report for the Medical Assisting degree, Surgical Technologist degree, and Massage Therapy degree programs as follows:

a. A Graduation and Employment Chart for Medical Assistant degree, Surgical Technologist degree, and Massage Therapy degree programs, prepared in accordance with the enclosed instructions. The school is directed to use a **June 2007 Report Date** when preparing the Graduation and Employment Charts. Please use the Graduation and Employment Chart found on the Commission's Web site at *www.accsct.org*.

b. All necessary supporting documentation for each Graduation and Employment Chart organized according to the corresponding **cohort start date** reported on the chart (line #1).

c. Supporting documentation for graduation rates which must include minimally the name of each student enrolled and a corresponding program completion transcript for each student classified as a graduate.

d. HTI—Marietta must support with appropriate and verifiable documentation any student classified as "Unavailable for Graduation" (line #6).

If any reported graduation or employment rates fall more than one standard deviation below the mean for comparable programs, the school may attempt to take into account economic conditions, location, student population served, length of program, state requirements, and other external factors reasonably related to student achievement. A detailed explanation as to how these factors impact the institution's graduation and employment rates must be included (see Section VII (C), Standards of Accreditation).

2. HTI—Marietta must demonstrate that students are not reported as graduates prior to completing any required externship (Section II (A)(6)(f), Standards of Accreditation). The Commission reviewed the school's response to the on-site evaluation team's concern in this regard and noted that the Pharmacy Technician Externship Report includes reported graduation dates for three students that were prior to the completion date of their externships. The school's response indicates that these incorrect dates represent projected dates which are not updated when a

[9] The Outcomes Report and the Faculty Retention Report were required when the Commission voted at the February 2006 meeting to vacate the Show Cause Order and to place the school on Outcomes Reporting and Faculty Retention Reporting.

student graduates. The Commission determined that this process does not allow for an accurate accounting of a student's completion of all program requirements. Therefore, the Commission requires HTI—Marietta to change its procedure for reporting graduation dates so that students are not able to graduate prior to completion of their externships.

3. HTI—Marietta must demonstrate compliance with Section II (A)(4) of the Standards of Accreditation and that its PACs are comprised of a majority of employers as required. Upon review of the school's PAC meeting minutes submitted with the school's response to the August 16, 2006 Team Summary Report, the Commission did not find that the PAC minutes show in all instances a committee membership comprised of a majority (more than 50 percent) of employers representing the major occupation or occupations for which training is provided. Therefore, HTI—Marietta must submit the membership for each of its PACs and provide a detailed explanation as to how the school is in compliance with Section II (A)(4) of the Standards of Accreditation and the PAC membership requirements.

High-Tech Institute—Orlando, FL (ACCSCT School# R070257)

At its November 2006 meeting, the Commission considered the March 7, 2006 Outcomes Report, the 2005 Annual Report, and the additional information to supplement the 2005 Annual Report dated March 15, 2006 submitted by HTI located in Orlando, FL.[10] Upon review of the information, the Commission voted to continue HTI—Orlando on Outcomes Reporting. The reasons for the Commission's decision follows.

The chart below includes the HTI—Orlando rates of graduation and employment as reported to the Commission:

Program	Length in months	HTI graduation rate [In percent]	ACCSCT required graduation rate [In percent]	HTI Employment rate [In percent]	ACCST required employment rate [In percent]
Surgical Technician	13	57	49	***33***	70
Medical Massage Therapy	18	47	43	***40***	70
Massage Therapy	11	94	59	***56***	70

Note: Rates in bold print represent those below the Commission's minimum requirements.

Based on this information and the low rates of graduation and employment reported by HTI—Orlando, the Commission directs HTI—Orlando to submit the following:

a. A Graduation and Employment Chart for the Surgical Technician Diploma, Medical Massage Therapy, and Massage Therapy programs, prepared in accordance with the enclosed instructions. The school is directed to use a **June 2007 Report Date** when preparing the Graduation and Employment Charts. Please use the Graduation and Employment Chart found on the Commission's Web site at *www.accsct.org*.

b. All necessary supporting documentation for each Graduation and Employment Chart organized according to the corresponding **cohort start date** reported on the chart (line #1).

c. Supporting documentation for employment rates must include minimally, the name of the graduate, telephone number of the graduate, name of employer, contact person at the place of employment, employer telephone number, and information (e.g., job title, job brief description) that demonstrate that the employment is training related.

d. HTI—Orlando must support with appropriate and verifiable documentation any student classified as "Unavailable for Graduation" (line #6), "Graduates—Further Education" (line #11), "Graduates—Unavailable for Employment" (line #12) or "Non-Graduated Students Who Obtained Training Related Employment" (line #19).

If any reported graduation or employment rates fall more than one standard deviation below the mean for comparable programs, the school may attempt to take into account economic conditions, location, student population served, length of program, State requirements, and other external factors reasonably related to student

[10] The Outcomes Report was required by the Commission when it voted to place the school on Outcomes Reporting at its May 2005 meeting. The Annual Report was required of all accredited schools in January 2006 and the supplemental information for the 2005 Annual Report is required of all schools that report Graduation and Employment rates below the Commission's requirements.

achievement. A detailed explanation as to how these factors impact the institution's graduation and employment rates must be included (see Section VII (C), Standards of Accreditation).

High-Tech Institute—Las Vegas, NV (ACCSCT School #B3070605)

At its November 2006 meeting, the Commission reviewed the 2005 Annual Report and supplemental information submitted by of HTI located in Las Vegas, Nevada. Upon review of the information, the Commission voted to place HTI—Las Vegas on Outcomes Reporting. The reasons for the Commission's decision follow.

The following chart includes the HTI—Las Vegas rates of graduation as reported to the Commission:

Program	Length in months	HTI graduation rate [In percent]	ACCSCT required graduation rate [In percent]
Medical Assistant Diploma	10	57	59
Medical Assistant AS	18	***38***	43

Note: Rates in bold print represent those below the Commission's minimum requirements.

Based on this information and the low rates of graduation and employment reported by HTI—Orlando, the Commission directs HTI—Las Vegas to submit the following:

a. A Graduation and Employment Chart for the Medical Assistant (diploma) and Medical Assistant (AS) programs, prepared in accordance with the enclosed instructions. The school is directed to use a **June 2007 Report Date** when preparing the Graduation and Employment Charts. Please use the Graduation and Employment Chart found on the Commission's Web site at *www.accsct.org*.

b. All necessary supporting documentation for each Graduation and Employment Chart organized according to the corresponding **cohort start date** reported on the chart (line #1).

c. Supporting documentation for graduation rates which must include minimally, the name of each student enrolled and a corresponding completion transcript for each student classified as a graduate.

d. HTI—Las Vegas must support with appropriate and verifiable documentation any student classified as "Unavailable for Graduation" (line #6).

If any reported graduation or employment rates fall more than one standard deviation below the mean for comparable programs, the school may attempt to take into account economic conditions, location, student population served, length of program, State requirements, and other external factors reasonably related to student achievement. A detailed explanation as to how these factors impact the institution's graduation and employment rates must be included (see Section VII (C), Standards of Accreditation).

High-Tech Institute—Kansas City, MO (ACCSCT School #B070636)

At its November 2006 meeting, the Commission considered the Application for a Degree Program for the Criminal Justice (AAS) program, the August 8, 2006 Team Summary Report, and the school's response to that report. Upon review of the information, the Commission voted to defer final action on the Application for a Degree Program for the Criminal Justice (AAS) program pending resolution of the system-wide Probation Order in effect regarding the HTI schools.

High Tech Institute—Sacramento, CA (ACCSCT School #B067810)

At its November 2006 meeting, the Commission considered the Outcomes Report and the Program Advisory Committee ("PAC") Report submitted by HTI located in Sacramento, CA. These reports were required by the Commission when it voted to continue the school on Outcomes Reporting and PAC Reporting at its May 2005 meeting. Upon review of the school's reports, the Commission voted to remove HTI—Sacramento from Outcomes and PAC Reporting.

High-Tech Institute—Nashville, TN (ACCSCT School #B070322)

At its November 2006 meeting, the Commission reviewed the 2005 Annual Report and supplemental graduation and employment data submitted by HTI located in Nashville, TN. Upon review of this information, the Commission voted to accept the report and supplemental information submitted by HTI—Nashville. No further action is required at this time in regard to this matter.

The Bryman School—Phoenix, AZ (ACCSCT School #M059048)

At its November 2006 meeting, the Commission reviewed the school's 2005 Annual Report and supplemental graduation and employment data as well as information pertaining to complaints filed by former students Angela Matics and Azalea Acosta against The Bryman School located in Phoenix, AZ ("Bryman—Phoenix") and the school's responses to those complaints. Upon review of this information, the Commission determined that, although the complaints can be closed, further monitoring of student outcomes and externship availability is warranted.[11] Accordingly, the Commission voted to close the complaints and to place the school on Outcomes Reporting and Externship Reporting for the reasons set forth below.

1. In their complaints, the students alleged that the school did not place them at extern sites. The Commission reviewed the school's response to these complaints and determined that Bryman—Phoenix appeared to have taken appropriate steps to place the two complainants at externship sites. However, the complaints and the school's responses raised questions regarding the school's general procedures for placing students at externships. Therefore, Bryman—Phoenix must submit an Externship Report to document that externship sites are provided to students in a timely fashion. Specifically, the school must provide an externship report in the form of a table including all students who completed the program between January 1, 2007 and May 30, 2007. The school must provide the information using the following format:

Student name	Date started	Coursework completed	Extern start date	Extern site address	Extern contact phone	Graduation date

2. Bryman must demonstrate the on-going success and achievement of its students to include acceptable rates of student graduation and graduate employment in accordance with Section VII (C) of the Standards of Accreditation. Upon review of the school's 2005 Annual Report and supplemental graduation and employment data, the Commission noted that the school reported a low graduation rate in the 9-month Hospital Unit Coordinator Program and a low employment rate in the Surgical Technologist program as shown in the table below:

Program	Length in months	Bryman graduation rate [In percent]	ACCSCT required graduation rate [In percent]	Bryman graduation rate [In percent]	ACCSCT required graduation rate [In percent]
Hospital Unit Coordinator	9	57	59	75	70
Surgical Technologist	18	54	43	65	70

Note: Rates in bold print represent those below the Commission's minimum requirements.

Based upon this information, the Commission determined that additional monitoring of student achievement is warranted. Accordingly, Bryman—Phoenix must submit an Outcomes Report for the 9-month Hospital Unit Coordinator and 18-month Surgical Technologist programs, as follows:

a. A Graduation and Employment Chart for the 9-month Hospital Unit Coordinator and 18-month Surgical Technologist programs, prepared in accordance with the enclosed instructions. The school is directed to use a **June 2007 Report Date** when preparing the Graduation and Employment Charts. Please use the Graduation and Employment Chart found on the Commission's Web site at *www.accsct.org*.

b. All necessary supporting documentation for each Graduation and Employment chart organized according to the corresponding **cohort start date** reported on the chart (line #1).

c. Supporting documentation for graduation rates for the 9-month **Hospital Unit Coordinator** program which must include minimally the name of each student en-

[11] The Commission found that the school had satisfactorily addressed the specific concerns of Ms. Acosta and Ms. Matics. However, upon review of the entire complaint response, the Commission noted that 56 percent of the students included on the chart in the school's response had waited 1 month or longer after graduation to begin the externship. For this reason, the Commission voted to continue to monitor the availability of externships.

rolled and a corresponding program completion transcript for each student classified as a graduate.

d. Supporting documentation for employment rates for the 18-month **Surgical Technologist program** must include minimally, the name of the graduate, telephone number of the graduate, name of employer, contact person at the place of employment, employer telephone number, and information (e.g., job title, job brief description) that demonstrates that the employment is training-related.

e. Bryman—Phoenix must support with appropriate and verifiable documentation any student classified as "Unavailable for Graduation" (line #6), "Graduates—Further Education" (line #11), "Graduates—Unavailable for Employment" (line #12) or "Non-Graduated Students Who Obtained Training Related Employment" (line #19).

If any reported graduation or employment rates fall more than one standard deviation below the mean for comparable programs, the school may attempt to take into account economic conditions, location, student population served, length of program, State requirements, and other external factors reasonably related to student achievement. A detailed explanation as to how these factors impact the institution's graduation and employment rates must be included (see Section VII (C), Standards of Accreditation).

The Bryman School—Tempe, AZ (ACCSCT School #B070784)

At its November 2006 meeting, the Commission considered the Application for Renewal of Accreditation submitted by The Bryman School located in Tempe, AZ ("Bryman—Tempe"). Upon review of the July 13, 2006 Team Summary Report and the school's response to that report as well as the February 15, 2006 response to the December 9, 2005 stipulation regarding the proper safeguarding of student files,[12] the Commission voted to defer final action on the application until such time as the HTI system-wide Probation has been resolved. The reasons for the Commission's decision, in addition to those previously set forth in this letter, follow.

1. Bryman—Tempe must demonstrate that all faculty members possess the qualifications required by accreditation standards (Section III (B), Standards of Accreditation). Upon review of Bryman's response to the on-site evaluation team's concerns regarding the credentials of Erin Mariano and Janet Prettyman, and Jon Knight,[13] and Benjamin Saucedo[14] the Commission determined that further information is required to establish compliance with accrediting standards as previously described in this letter. The Commission will review the qualifications of these faculty as part of the faculty qualification audit required by Ground #1 in this letter.

2. Bryman—Tempe must demonstrate that student records are adequately protected against damage and loss as required by Section VI (B)(1), Standards of Accreditation. The Commission found that the school's February 15, 2006 response to the December 9, 2005 stipulation did not satisfy the Commission's directive or show compliance because there remains a question as to whether a "1-Hour" fireproof rating as described in the letter from K&I Architects constitutes adequate protection of student records. The Commission determined that there are additional steps the school can take to better protect student records—i.e., the purchase and use of fire-resistant cabinets that have a greater than 1-hour fireproof rating. Therefore, the Commission directs the school to take additional steps to ensure the adequate protection of student permanent educational records as required by Section VI (B)(1) of the Standards of Accreditation.

Cambridge College—Bellevue, WA (School #B070781)

At its November 2006 meeting, the Commission considered the Application for Renewal of Accreditation and the February 20, 2006 response to the December 9, 2005

[12] At its November 2005 meeting, the Commission determined that the school had met the requirements for the Application for a Branch—Part II within the school's scope of accreditation with three stipulations including the stipulation that the school must demonstrate that it provides adequate fire protection for student records. In the school's February 15, 2006 response, the school provided a statement from K&I Architects that indicates that the school's file room has a "1-hour" rating.

[13] The school did not provide documentation in the form of a transcript for Mr. Knight's associate degree, which is the required credential for teaching technical courses in an academic associate's degree program. The Commission found that the items included as documentation for Mr. Knight's credentials did not constitute an exceptional case of outstanding professional experience and contributions to the professional field.

[14] Benjamin Saucedo is teaching both the Risk Management course and the Financial Principles course. However, the school did not demonstrate that Mr. Saucedo is properly qualified to teach either the Risk Management course or the Financial Principles course. (The Commission has determined that Risk Management is not a General Education course—see Ground #2a in this letter).

stipulations[15] submitted by Cambridge College located in Bellevue, WA ("Cambridge—Bellevue"). Upon review of the July 12, 2006 Team Summary Report, the school's response to that report, and the school's stipulation response, the Commission voted to defer final action on the Application for Renewal of Accreditation and the Applications for Branch II and Unrelated New Programs. The reasons for the Commission's decision, in addition to those set forth in previous sections of this letter, follow.

1. Cambridge—Bellevue must demonstrate the continuity of management and administrative capacity through the reasonable retention of management and administrative staff as required by Section VII (A)(4) of the Standards of Accreditation. Based upon its review of the pertinent information for Cambridge—Bellevue related to its compliance with Section VI (A)(4) of the Standards of Accreditation, the Commission determined that additional monitoring of the retention of management and administrative staff is warranted. Therefore, the school must submit a narrative description of the retention of management and administrative staff, Staff Personnel Reports for all management and administrative staff members hired since August 22, 2006, and provide a Staff Retention Report that shows the employment date, date of employment termination (if applicable), and reason for employment termination for all current management and administrative staff and all management and administrative staff hired since January 1, 2004.

2. Cambridge—Bellevue must demonstrate that the continuity of instruction is ensured by the reasonable retention of faculty (Section III (A)(5) Standards of Accreditation). Therefore, the school must submit the following:

a. A written and comprehensive plan which addresses Cambridge—Bellevue's compliance with Section III (A)(5) of the Standards of Accreditation. This plan must address the continuity of instruction and faculty retention for each program;

b. A Faculty Retention Report using the matrix below showing all current faculty members and those hired by the school since January 1, 2004 and that includes a detailed explanation of the reasons why instructors are no longer employed at the institution; and

c. Documentation to demonstrate how this plan has been implemented from the time of September 1, 2006 through March 30, 2007.

Instructor name	Program/full-time or part-time	Date of hire (month/year)	Date of termination (month/year)	Reason for leaving (if applicable)

3. Cambridge—Bellevue must demonstrate the consistent application of the maximum timeframe (1.5 times the normal duration of the program) for students to complete their program of study (Section VII (B)(3), Standards of Accreditation). The school must provide documentation to demonstrate that the students listed in the table under Concern #3 of the Team Summary Report have either finished the program within 1.5 times the program length or have been dismissed as required by the school's policy. Furthermore, the school must provide documentation to demonstrate that students are not waiting for externship sites.

4. Cambridge—Bellevue must demonstrate that the way in which the school's programs are organized is appropriate to allow students to achieve the announced program objectives (Section II (A)(2), Standards of Accreditation). Although the school provided a response to the team's concern in this matter, the Commission could not determine whether these programs are appropriately organized to achieve the announced program objectives. Specifically, in the Dental Assisting, Surgical Technician, Massage Therapy, and Medical Assisting programs, while each of these programs has detailed and organized outlines and course syllabi showing a scope of subject matter, the Commission questions whether the lack of course sequencing can allow students to achieve program objectives and master the material. Therefore, the Commission directs Cambridge—Bellevue to provide the following information:

[15] This response was required when the Commission determined, at its November 2005 meeting, that the school and it's main school, High-Tech Institute, located in Phoenix, AZ (School #M001392) met the requirements set forth in the Standards of Accreditation for the establishment of a branch campus separate facility and that Cambridge met the requirements for the addition of the Dental Assistant (diploma), Massage Therapy (diploma), Pharmacy Technician (diploma), and Pharmacy Technologist (diploma) within the school's scope of accreditation subject to stipulations.

a. For each of the above-named programs, a detailed and cogent explanation as to the chosen program design;

b. A PAC review of and comment as to the course sequencing and curriculum sequencing in each of these program areas;

c. An internal review of the school's admissions procedures for the Surgical Technician Program and provide a demonstration that the admissions procedures for this program enable the school to make an informed judgment as to an applicant's ability to achieve the program's objectives (Section V Standards of Accreditation); and

d. A report on the availability of externship sites for the Surgical Technology program.

5. Cambridge—Bellevue must demonstrate that the learning resource center ("LRS") is available to students and faculty during and beyond classroom hours and that school personnel orient, train, and assist students and faculty in the use of the LRS in a way that supports learning objectives (Section II (A)(5)(d), Standards of Accreditation). In order to fully ascertain the school's compliance with accrediting standards in this area, Cambridge—Bellevue must submit a schedule of the weekly library hours and indicate which qualified staff members are responsible for the library at all times when it is open as well as a narrative describing the assistance provided to students and the way the learning objectives are supported by the library personnel. Cambridge—Bellevue must also submit an outline of the training provided to staff by Ms. Connie Manson and copies of the "completion certificates and information regarding the qualifications" referred to in the school's response.

6. Cambridge—Bellevue must demonstrate that the school's PACs have met all applicable accrediting requirements. Specifically, the school did not document at least two annual meetings for the Surgical Technology PAC (Section II (A)(4)(c), Standards of Accreditation). Therefore, the school must submit the minutes from the Surgical Technology PAC meeting that was scheduled to be held in September 2006.

Cambridge College—Aurora, CO (ACCSCT School #B069310)

At its November 2006 meeting, the Commission considered the Application for Approval of a Degree Program for the Criminal Justice (AAS) program submitted by Cambridge College located in Aurora, CO ("Cambridge—Aurora"). Upon review of the July 12, 2006 on-site evaluation and the response to that report, the Commission voted to defer final action on the Application for Approval of a Degree Program until such time as the system-wide Probation Order is resolved. The reasons for the Commission's decision, in addition to those set forth in previous sections of this letter, follow.

1. Cambridge—Aurora must demonstrate that the Director of Education, Ronnie Autry, has the experience and competence to manage the instructional program (Section III (A)(6), Standards of Accreditation). Specifically, the school did not demonstrate that the Director of Education has experience in teaching or managing an educational program or has the appropriate educational background or training to manage, maintain, and improve the educational staff. Although the school submitted a statement to the effect that Ronnie Autry has received additional training for the Director of Education position, the Commission determined that, given the high level of importance placed upon the Director of Education role in a school, further documentation of Mr. Autry's qualifications is required. Therefore, Cambridge—Aurora must submit an Individual Professional Development Plan for Ronnie Autry that includes a detailed description of content of the training he has received and provides detailed information regarding ongoing training plans.

2. Cambridge—Aurora must submit the following with respect to its LRS:

a. Information and documentation to show that the LRS is integrated into the school's curriculum and program requirements as a mechanism to enhance the educational process and to facilitate positive learning outcomes for students (Section II (A)(5)(b), Standards of Accreditation);

b. Information and documentation to show that learning resources are easily and readily accessible to students and faculty during and beyond classroom hours, regardless of location or means of delivery (Section II (A)(5), Standards of Accreditation).

c. An updated Institutional Assessment and Improvement Plan ("IAIP") which includes a detailed library plan including the hours of operation when the LRS is covered by qualified staff.

d. Information and documentation to show that the LRS is appropriately supervised (although the school submitted documentation of a newly hired librarian, the Staff Personnel Report for Charlene Olszonowicz indicates that she is also serving in a teaching and administrative capacity, working 40 hours a week).

3. Cambridge—Aurora must demonstrate through the submission of the minutes from the most recent meeting, that the PAC for the Criminal Justice program is comprised of employers representing the major occupation or occupations for which training is provided as required in Section II (A)(4) of the Standards of Accreditation.

Complaint Issues

The Commission understands that there are also several complaints in process and pending amongst the HTI schools. The Commission intends to process these complaints in the normal course and in accordance with ACCSCT complaint procedures; however, any complaints still pending when the Commission takes up its review of the school's response to this system-wide Probation Order will be incorporated into the Commission's review and corresponding action.

Response Details

HTI must respond to the Commission's concerns as directed in this letter and provide documentation of corrective action and compliance with accrediting standards. The response should be prepared in accordance with the ACCSCT *Instructions for the Submission of Electronic Documents* and must be dated and bookmarked, and must include a signed certification attesting to the accuracy of the information. The *Instructions for the Submission of Electronic Documents* can be found at the Commission's Web site *www.accsct.org*. Alternatively, the school may submit five (5) paper copies of its response. The response must be received in the Commission office **on or before June 5, 2007** for review at the **August 2007** Commission meeting. If a response to this letter is not received in the Commission office **on or before June 5, 2007** the Commission will consider further appropriate actions to include revocation of the schools' accreditation.

Please be advised that the Commission has established maximum timeframes for achieving compliance when the Commission has determined that a school is out of compliance with an accreditation standard or requirement through any process. The maximum period allotted to the school to remedy the noncompliance or cure the deficiency, together with the time for the Commission's final decision, is based on the length (in months) of the longest program offered by a school (see Process and Procedures, Commission Actions, Standards of Accreditation). The Commission may extend the maximum timeframe if the school can show good cause as to why the Commission should take such action. The school will be deemed to have demonstrated good cause if it has shown that during the period of review significant progress has been made toward achieving full compliance with accreditation standards and toward meeting all requirements set forth by the Commission.

Please consider this letter as notice that the timeframe for some HTI schools has already begun and that the Commission is still in a fact-finding mode for the others. The Commission will provide more detailed notice for all HTI schools regarding their status in relation to the Commission's maximum timeframes to achieve compliance in a subsequent correspondence. If any HTI school does not achieve compliance within the period specified by the Commission or within the maximum timeframe described in the Standards of Accreditation, the Commission will take an adverse action. The Commission may take an adverse action against a school as circumstances warrant prior to the expiration of the maximum timeframes. The Commission will notify the school in writing of any adverse action, including the Commission's basis for taking the adverse action.

In accordance with the Standards of Accreditation, no changes or additions (e.g., additions of separate facilities, substantive changes, special requests, etc.) will be considered while a school is operating under a Probation Order. Please note that the Commission is required to report all Probation Orders to the U.S. Department of Education.

Thus a copy of this letter will be provided to the Department and other appropriate agencies at the time the school is notified of this Probation Order (34 CFR § 602.26(b) (1)).

If you need further assistance or information, please contact me at (703) 247–4518 or *escanlon@accsct.org* or contact Michale S. McComis, Ed.D., Associate Executive Director at (703) 247–4520 or *mccomis@acesct.org*.

Sincerely,

ELISE SCANLON,
Executive Director.

[Whereupon, at 1:54 p.m. the hearing was adjourned.]

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