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For-profit career colleges under federal scrutiny

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North Jersey's for-profit career colleges and vocational institutes may face new restrictions after the Obama administration last month announced a proposal to regulate federal aid provided to for-profit schools. A hearing is planned for today to discuss the recruiting methods of for-profit career colleges.

The for-profit institutions — profit-earning colleges run by private companies — received \$24 billion of federal aid in 2008-09 and had 9 percent of all college students. The Senate Health, Education, Labor and Pensions committee created a proposal that requires career colleges to prepare their students for "gainful employment." Using a complex formula to determine this, the government will limit federal funding to those schools if too many students default on loans or cannot afford to repay them after graduation.

The proposal comes at a time when for-profit career colleges are coming under increasing scrutiny from the federal government. A report by the Government Accountability Office found that recruiters at for-profit colleges lied to entice students and encouraged them to commit fraud to qualify for aid, according to a story from Bloomberg News.

Recruiters at all 15 colleges studied by the GAO, Congress's investigational arm, misled potential students about the costs, duration and quality of their programs, according to a report obtained by Bloomberg that was to be released today. The 30-page report said recruiters at four of the colleges encouraged fraud on loan applications, without identifying the institutions.

Sen. Tom Harkin, D-Iowa, who led the hearing on the overview of federal investment in for-profit education, said the proposal is meant to target the for-profit schools he said are misleading their students.

"For many students, attending a for-profit school is a great decision ..." he said.

"Unfortunately, many students have had a very different experience at for-profit schools. They have left without a certificate or degree, but saddled with very large debts."

The Senate committee has concerns with colleges offering programs without accreditation. Lincoln Technical Institute in Paramus offers a medical assistant program. However, the

Commission on Accreditation of Allied Health Education does not list Lincoln Tech as an accredited program, but does include the Berdan Institute in Wayne and Dover Business College in Clifton.

Interest in for-profit colleges has risen dramatically in the past 10 years, growing 225 percent from about 400,000 to 1.8 million students, according to Harkin's report, titled "Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in Higher Education."

The Senate committee took up the issue upon discovering the amount of taxpayer money spent on for-profits, questionable accreditation and high debt rates. The Department of Education reported for-profits offering a bachelor's degree had an 11 percent two-year default rate while non-profit public colleges had about 6 percent default rate and private non-profits had a 3.7 percent default rate.

Berkeley College is a for-profit institution with two locations in North Jersey. The college reports 65 percent of its incoming New Jersey freshmen receive federal grants and 82 percent receive federal loans. Teri Duda, Berkeley's senior vice president, government affairs, said the federal proposal should not affect the college, though she said the proposal is unfair.

"If these standards are applied, they should be applied across the board in a fair manner which should be including all colleges," she said. "The fact that proprietary schools appear to be targeted makes it unfair. It sends a message that you do not have the right to choose a college."

Berkeley said it has used a portion of its profits to help stage the Paramus summer concert series and remodel the lobby for St. Mary's Hospital in Passaic.

At Lincoln Technical Institute in Paramus, the majority of its students receive federal aid, said Scott Shaw, chief administrative officer, and 81 percent of students at all Lincoln Technical schools receive federal aid. He said the school is unsure how the proposal will affect the institution.

"People think differently about us," Shaw said. "We make for an easier target. What people don't appreciate is we're the sector that's filling the employment gap traditional schools have left behind."

According to the Department of Education, the proposed regulations would create three categories career colleges can fall under: fully eligible, restricted and ineligible programs.

* Fully eligible programs would have 45 percent or more of their former students completing payments on their federal loan principal, or their graduates would need to have a debt-to-

income ratio of less than 8 percent of total income or 20 percent of their discretionary income.

* Ineligible programs would have 35 percent or less of graduates paying the principal on their federal loans, and graduates would have a debt-to-earnings ratio above 12 percent of total income and above 30 percent of discretionary income. Such programs could no longer give federal student aid to incoming students and can offer only one more year of aid to current students.

* Restricted programs fall between the fully eligible and ineligible programs. These schools must warn students of high debt levels and have limits on enrollment growth.

The Department of Education will rule on the proposal in November. If approved, the proposal could go into effect in July 2011.

The Department of Education and the Senate HELP committee also have asked accrediting agencies for their feedback on the proposal. Middle States Commission on Higher Education accredits 523 institutions, including 21 for-profits in the East Coast region.

Richard Pokrass, director for communications, said Middle States does not have a position on the issue because accrediting for both types of colleges is the same except accrediting agents ensure that investors are not holding leadership positions in the schools.

"We look at for-profit higher education the same way we look at non-profit," he said. "Where for-profit differs is leadership and governance. We want to make sure the governing body that oversees the institution ... is not influenced by another entity."

Eastwick Education has five college campuses in North Jersey. At its Ramsey campus, 60 percent of the income comes from student loans and 25 percent comes from Pell Grants.

President Tom Eastwick said in an e-mail message that he expects all of the campuses to be fully eligible and finds the proposals discriminatory.

"With unemployment numbers at some of the highest levels in history, every opportunity to gain skills should be available to the public and not dictated by the federal government," he said.

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