

 **COMMENTARY FOR-PROFIT EDUCATION**

For-Profit Colleges Continue to Generate Most Loan Relief Claims



JUNE 25, 2019

Thousands of student borrowers are awaiting relief from federal students loans they say were obtained through fraudulent and misleading actions by the colleges and universities they trusted with their educations. This week, Senator Patty Murray (D-WA) released new Education Department data on these 158,000 outstanding “borrower defense” claims for loan relief, data she obtained from department responses to questions for the record following a hearing in March. The data released includes up-to-date information on which colleges have had borrower defense claims made against them. As the newly released data further confirms, most claims come from students who attended for-profit institutions; in fact, the top twenty college operators generating claims are all for-profit companies or were for-profits in their recent history.

Borrower Defense Regulations and the DeVos Education Department

The Obama administration first introduced the current borrower defense rules in 2016, intending to improve and clarify the process for students to obtain loan relief if they were defrauded by an institution. However, a month before the Obama rules were set to take effect in July of 2017, the DeVos Education Department delayed their implementation and announced its plans to revise them. Courts eventually deemed the delay illegal, and the Department of Education was ordered to implement the current rule even as it attempts to rewrite the regulation. If finalized by November 1, 2019, the newly rewritten rules will take effect in mid-2020. In the meantime, despite the Obama-era regulations still being in effect, the department continues to defy court orders that require the rightful discharging of loans to borrowers.

Since the beginning of the Trump administration and DeVos’s secretaryship, the Department of Education’s refusal to discharge has allowed the number of pending borrower defense claims to reach 158,000.

Since the beginning of the Trump administration and DeVos’s secretaryship, the Department of Education’s refusal to discharge has allowed the number of pending borrower defense claims to reach 158,000. All the while, the department has stalled and dissembled, claiming that its staff’s hands are tied on the matter.

The data released this week by Senator Murray, which is summarized in Figure 1 below, provides updated information on a known trend—namely, that for-profit colleges are leading causes of borrower defense claims. In 2017, The Century Foundation published data on the schools generating the most borrower defense complaints (updated March, 2018), finding that the for-profit sector is still responsible for over 98 percent of complaints. The newly released data confirms that pattern: the top twenty college operators with the highest numbers of student borrower defense complaints are all for-profit conglomerates or nonprofit conversions (see Figure 1).

FIGURE 1

Borrower Defense Applications by School Group		
<i>School Group</i>	<i>Applications Received</i>	<i>Percent of Applications Processed by the Department</i>
Corinthian Colleges, Inc.	113,066	50%
ITT Educational Services, Inc.	19,213	1%
DeVry University, Cogswell Education LLC	13,543	0%
Apollo Education Group, Inc. (University Of Phoenix)	8,139	0%
Education Management Corporation	6,284	0%
Career Education Corporation	5,667	0%
American Career Institute	3,011	97%
Westwood	2,371	0%
Graham Holdings Company (Kaplan)	1,919	0%
Globe University/Minnesota School Of Business	1,530	0%
Dream Center Education Holdings (DCEH)	1,490	0%
Education Corporation of America (Willis Stein & Partners III, L.P.)	1,387	0%
Bridgepoint Education, Inc.	962	0%
Infilaw Holding, LLC	923	0%
Marinello School Of Beauty	806	1%
Ati Career Training	739	0%

Sp/Palm Iec Holdings LLC (United Education Institute)	616	0%
Lincoln Technical Institute, Inc.	584	0%
Weston Educational, Inc.	449	0%
Anthem College	431	0%

Note: The number of pending applications for each school are not provided due to a risk of an inadvertent privacy disclosure resulting from small cell sizes.

Source: Department of Education response to the Office of Senator Patty Murray.

The school groups with the greatest increase in numbers of claims since TCF's March 2018 update were Corinthian Colleges and ITT, two schools that had collapsed in 2015 and 2016, respectively. Education Corporation of America, which operated Virginia College and other for-profit chains that collapsed last year, also generated a huge spike in borrower defense claims, suggesting that in the run-up to its precipitous closure, ECA was misleading students in addition to mismanaging its finances.

Moreover, a deeper dive into Department of Education data released by Senator Murray shows that *all* of the forty-seven schools that had 500 or more pending borrower defense applications at that time were for-profit or were recently for-profit companies (covert for-profit schools) (see Figure 2).

FIGURE 2

Institutions with Over 500 Pending Borrower Defense Applications				
Data as of 12/31/2018				
<i>Institution</i>	<i>City</i>	<i>State</i>	<i>School Type</i>	<i>Pending Applications</i>
DeVry University	Chicago	IL	For-profit	12,505
ITT Technical Institute	Indianapolis	IN	For-profit	10,107
University of Phoenix	Phoenix	AZ	For-profit	8,556
Altierus Career College	Orlando	FL	Private, nonprofit*	7,996
Everest University	Tampa	FL	For-profit	2,417
Purdue University Global	Indianapolis	IN	Public**	1,710
WyoTech	Laramie	WY	Private, nonprofit*	1,644
Heald College	Honolulu	HI	For-profit	1,342
WyoTech	Blairsville	PA	Private, nonprofit*	1,268
Heald College	Fresno	CA	For-profit	1,113
WyoTech	Fremont	CA	For-profit	1,075
Heald College	Hayward	CA	For-profit	1,041
Ashford University	San Diego	CA	For-profit	1,022
Heald College	San Francisco	CA	For-profit	1,014
Charlotte School of Law	Charlotte	NC	For-profit	1,011
Heald College	Concord	CA	For-profit	955

Heald College	Milpitas	CA	For-profit	940
Heald College	Stockton	CA	For-profit	931
Art Institute of Pittsburgh (The)	Pittsburgh	PA	For-profit	884
Everest University – Pompano Beach	Pompano Beach	FL	For-profit	873
Heald College	Roseville	CA	For-profit	838
Heald College	Rancho Cordova	CA	For-profit	838
Minnesota School of Business	Richfield	MN	For-profit	800
Altierus Career College	Tampa	FL	Private, nonprofit*	779
Westwood College – Denver North	Denver	CO	For-profit	750
WyoTech	Long Beach	CA	For-profit	734
Heald College	Salinas	CA	For-profit	702
Everest College Phoenix	Phoenix	AZ	For-profit	691
WyoTech	City of Industry	CA	For-profit	677
Everest Institute	Rochester	NY	For-profit	648
Keller Graduate School of Management	Downers Grove	IL	For-profit	629
WyoTech	West Sacramento	CA	Private, nonprofit*	628
Heald College	Portland	OR	For-profit	618

Everest College	San Bernardino	CA	For-profit	612
Everest College	Reseda	CA	For-profit	601
Brooks Institute	Ventura	CA	For-profit	588
Altierus Career College	Tacoma	WA	Private, nonprofit*	581
Everest College	Ontario	CA	Private, nonprofit*	570
Everest University	Tampa	FL	For-profit	568
Everest College	Ontario	CA	For-profit	567
American InterContinental University	Schaumburg	IL	For-profit	559
Everest College	Renton	WA	Private, nonprofit*	553
Altierus Career College	Henderson	NV	Private, nonprofit*	547
Globe University	Woodbury	MN	For-profit	540
Everest College	Skokie	IL	Private, nonprofit*	539
Altierus Career Education	Austin	TX	Private, nonprofit*	533
Westwood College – Los Angeles	Los Angeles	CA	For-profit	501

*Formerly part of Corinthian Colleges Inc, now claiming nonprofit status while operating as a covert for-profit school.

**Formerly part of for-profit Kaplan University, now operated under the Purdue umbrella in partnership with the for-profit former owner of Kaplan.

Source: Department of Education response to the Office of Senator Patty Murray.

Never More Urgent

The number of borrower defense claims keeps increasing, and there remains a pattern: for-profit schools continue to lead in borrower defense claims, especially those institutions who closed suddenly and without warning. Unfortunately, the Department of Education's intention to rewrite the borrower defense regulation will likely do little to improve school behavior and lessen the need for relief: If the final regulation looks anything like the rule proposed by the department, then it will do far less than current law in providing relief for borrowers and holding schools accountable.



Anthony Walsh, Policy Associate

Anthony Walsh is a policy associate at The Century Foundation, where he works on higher education policy with a focus on both the accountability and affordability projects.
