

How For-Profit Colleges Target Military Veterans (and Your Tax Dollars)

Jacob Davidson @JakeD |

For-profit colleges have targeted veterans for recruitment, leading to shady marketing and troubling outcomes for the nation's service men and women.

Veterans who applied to Corinthian College can be forgiven for giving the school special preference, even though the for-profit institution has a withdrawal rate of roughly 60 percent. After all, the institution had the imprimatur of their old employer: The United States Military. Or so it seemed.



Tripplaar Kristoffer/SIPA-AP

An ITT Technical Institute for-profit college location in Chantilly, Virginia.

According to a civil complaint, filed by the state of California in October of 2013, Corinthian had been illegally using the official seals of the United States Navy, Army, Air Force, and Coast Guard in its advertising in an effort to recruit recently discharged service men and women. That wasn't all. The college, or perhaps more accurately, company, was also accused of advertising for programs that it did not offer and misrepresenting job placement rates to students and investors.

In late June, Corinthian announced it would shut down—finally caving under the weight of regulatory and legal pressure. But it's far from the only for-profit university accused of using misleading tactics. And, perhaps most disturbingly, it's one of many such institutions that appeared to prey specifically on military veterans.

The G.I. Bill

If the relationship between for-profit colleges and military veterans is a controversial one, the law that motivated the controversy is not. The new G.I. Bill, passed in 2008 for veterans serving since September 11, 2001, provides service members with subsidies to pursue higher education. As a thank-you for putting his or her life on the line, an individual veteran could receive tens of thousands of dollars toward a school of their choice.

The bill was a bipartisan success story, but it had unintended consequences. Congress had long been worried about the potential for for-profit colleges to be funded entirely by federal student aid, costing taxpayers billions and creating a de facto federal subsidy for the industry. In 1992, both houses approved a bill—known as the 90/10 rule—mandating that at least 10% of a for-profit's revenue be private tuition dollars. Colleges that violated the rule could be cut off of federal assistance entirely.

However, money from the new G.I. Bill is technically counted as private funds. This, veterans' advocates argue, effectively bypasses the 90/10 requirement by enabling for-profit universities to once again make money entirely through government programs. And because military servicemen—already flush with pre-paid education funding—were needed to circumvent the 90/10 rule, they became especially desirable students.

The Project on Student Debt frames the problem more bluntly: “This has put a dollar sign on the backs of veterans, service members and their families, and led unscrupulous for-profit colleges to aggressively and deceptively recruit veterans, service members and their families to enroll in high-priced, low-quality programs,” reads [Q&A on 90/10 rule](#) co-published by the project.

A Hard Sell on Questionable Programs

Holly Petraeus, Assistant Director of the Office of Servicemember Affairs at the Consumer Financial Protection Bureau, has seen this type of veteran-centric recruiting in action. The 90/10 rule “has given to some for-profit colleges an incentive to see servicemembers as nothing more than dollar signs in uniform” said Petraeus in testimony before the Senate Committee on Homeland Security and Governmental Affairs. “[For-profit colleges] use some very unscrupulous marketing techniques to draw them in.”

In some cases, this “unscrupulous marketing” may have crossed the line into fraud. QuinnStreet, an internet marketing company, was forced to [pay the government \\$2.5 million](#) after the company registered GIBill.com and used the apparently official website to generate leads for for-profit colleges. Other for-profits have been accused of [misleading students about graduation rates](#), inflating the earnings of graduates, and [lying about what jobs](#) students could obtain after graduation.

A July report from the Senate Health, Education, Labor, and Pensions Committee stated that eight of the top 10 recipients of G.I. Bill funding were for-profit colleges, and “seven of the eight companies are currently under investigation for deceptive and misleading recruiting or other possible violations of state and federal law.”

Whatever tactics were used to recruit service members, they appear to have worked. Together, these seven schools enrolled over 100,000 students from 2012 to 2013 and received \$920 million in taxpayer dollars. As overall enrollment in for-profit colleges has declined, the eight colleges with the most G.I. Bill funding have increased their share of veterans by 61% (Career Education Corporation) to 657% (UTI) between 2010 and 2013. That’s despite for-profit institutions costing an average of \$4,000 more than public colleges, according to the Senate committee, and reporting sky-high dropout rates. The committee’s report shows that as many as 60% of students who enrolled in some of the largest for-profit programs never received diplomas and left within a year of enrollment.

Looking Forward

In order to better prepare veterans for the college hunt, the Department of Veterans Affairs released a [G.I. Bill comparison tool](#) to help service members assess their options and published a page directing veterans to various other [education-related resources](#).

Senators Dick Durbin (D-IL) and Tom Harkin (D-IA) have also introduced the *Protecting Our Students and Taxpayers (POST) Act*, which would make G.I. Bill funds part of the 90/10 rule, although the bill is currently [languishing in committee](#).

Another initiative is the Department of Education’s “gainful employment rule” that would deny federal dollars to poor-performing for-profits. The rule, scheduled to come into effect in July of 2015, requires for-profit programs to prove the estimated annual loan payment of an average graduate will not be more than 20% of the graduate’s discretionary income or 8% percent of their total earnings. The Department estimates 1,400 programs—99% of which are offered by for-profit schools—will not pass this test.

The Other Side of the Story

The Association of Private Sector Colleges and Universities (APSCU) has decried the gainful employment standard, claiming student outcomes are in many cases “beyond institutional control.” The APSCU has responded to criticism by arguing that its members provide a unique education underserved by non-profit entities, and last week, the Association announced it would [challenge the rule in court](#).

“There’s a reason why military veteran students gravitate toward our programs,” said Michael Dakduk, APSCU Vice President of Military and Veterans Affairs. Dakduk says veterans choose private sector schools for “flexibility of program, flexibility of completing

their degree, and convenience.” That can be attractive for veterans who move frequently and might not even know when and where they will deploy next.

Dakduk also feels for-profits are being singled out by legislators willing to hold public schools and nonprofits to a lower standard.

“The issue with gainful employment is that it’s fundamentally flawed,” said Dakduk. “You’ll notice that there are many institutions outside our sector that fail the rule. If this is supposed to be a measure of quality, which it’s not, why is it just applied to our sector?”

©2015 Time Inc. All rights reserved.

All products and services featured are based solely on editorial selection. MONEY may receive compensation for some links to products and services on this website.

Quotes delayed at least 15 minutes. Market data provided by **Interactive Data**. ETF and Mutual Fund data provided by **Morningstar, Inc.** Dow Jones Terms & Conditions:

<http://www.djindexes.com/mdsidx/html/tandc/indexstandcs.html>. S&P Index data is the property of Chicago Mercantile Exchange Inc. and its licensors. All rights reserved. **Terms & Conditions**. Powered and implemented by **Interactive Data Managed Solutions**

©2017 Time Inc. All rights reserved. Part of the Fortune.com Sites.

Powered by **WordPress.com VIP**