

FOR IMMEDIATE RELEASE:
JUNE 18, 2014

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Lax State Oversight of For-Profit Schools Puts Students and Taxpayers at Risk *NCLC Report Documents Urgent Need and a Roadmap for Improvement*

Download the full report and supplemental materials, including charts, student stories, and information about state Attorney General and federal investigations/lawsuits: <http://tinyurl.com/muslfjb>

(BOSTON) The need for strong state oversight of the for-profit higher education sector has never been greater and is critically important because both Congress and the U.S. Department of Education have explicitly left the student protection role to the states. “The increasing number of state and federal investigations of large, publicly traded for-profit colleges points to industry-wide deceptive practices that are harming hundreds of thousands of families,” said Robyn Smith, National Consumer Law Center (NCLC) attorney and author of the new NCLC report [*Ensuring Educational Integrity: Ten Steps to Improve State Oversight of For-Profit Schools*](#). “If state agencies, state lawmakers, and student advocates work together, they can strengthen oversight so that for-profit education provides real opportunity rather than insurmountable debt and broken dreams for all students, but especially for low-income students and students of color.”

“Head in the Sand” Policies Reinforce Racial and Economic Inequality

A disproportionate number of for-profit school students are low-income students and students of color. For example, in the 2011- 2012 school year, 28% of all African Americans and 15% of all Latinos enrolling in a four-year college in the United States were enrolled in a for-profit school, versus 10% of White students. These students are also more likely than their public or private nonprofit school counterparts to drop out, incur enormous student debt, and default on this debt. By failing to properly regulate for-profit schools, states are failing these students and helping to create a higher education system that reinforces economic and racial inequality.

For-Profit Fiduciary Duty Creates Conflict of Interest

For-profit schools claim they are no different from private nonprofit schools and should therefore be subject to the same standards. However, unlike nonprofit private and public schools, for-profit schools have a legal obligation to maximize and distribute profits and owe their highest fiduciary to owners and shareholders. To keep stock prices high and satisfy shareholders, publicly traded companies must demonstrate constant growth in profits, as demonstrated by the enormous growth of for-profit schools. Between 2000 and 2009, undergraduate enrollment at 4-year degree-granting for-profit schools increased by 470%, while enrollments increased by 30% at public schools and 19% at private nonprofit schools, according to the U.S. Department of Education. Because of this fiduciary duty, for-profit schools pose the greatest risk to students and taxpayers. States should focus their resources on these schools and subject *all* unaccredited and accredited schools to rigorous minimum standards and consumer protection requirements.

Since 2004, there have been at least 61 investigations of or lawsuits against for-profit schools by state Attorneys General and federal authorities. Yet, few states have strengthened their oversight of the for-profit school industry since the publication of National Consumer Law Center's 2011 report, [*State Inaction: Gaps in State Oversight of For-Profit Education*](#).

The report includes ten key recommendations that states may use to develop stronger for-profit school oversight laws and agencies, including the critical need for an independent oversight board not dominated by the for-profit school industry, minimum job placement and completion rates for state approval, and strong consumer protections for students who attend for-profit schools that exclusively offer online programs. If implemented, these changes will significantly prevent abuses and make the for-profit higher education more accountable to states, students, and taxpayers.

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Since 1969, the nonprofit **National Consumer Law Center®** (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org

NCLC's **Student Loan Borrower Assistance Project** provides information about student loan rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable. www.studentloanborrowerassistance.org