HIGHER EDUCATION

Subprime Opportunity:

The Unfulfilled Promise of For-Profit Colleges and Universities

NOVEMBER 2010

The Education Trust

TO THE POINT

- **Today's low-income and minority students are seeking college degrees in record numbers, and many are enrolling in for-profit institutions.**
- **The graduation rate at four-year for-profit institutions is 22 percent, compared with 55 percent at public and 65 percent at private nonprofit colleges and universities.**
- **Students at for-profit institutions borrow heavily, resulting in large debt burden and high loan defaults—raising questions about how many students end up with a marketable degree or credential.**

As with the collapse of the subprime lending industry, the showdown between for-profit colleges and the government shows how the aspirations of the underserved, when combined with lax regulation, make the rich, richer and the poor, poorer. For-profit colleges provide high-cost degree programs that have little chance of leading to high-paying careers, and saddle the most vulnerable students with heavy debt. Instead of providing a solid pathway to the middle class, they pave a path into the sub-basement of the American economy.

Subprime Opportunity:

The Unfulfilled Promise of For-Profit Colleges and Universities

BY MAMIE LYNCH, JENNIFER ENGLE, AND JOSÉ L. CRUZ

The *rationing of opportunity* that marginalizes an important sector of American society has ironically become an *extraordinarily profitable opportunity* for corporations that claim to serve the underserved.

In the lead-up to the collapse of the subprime lending industry, homeownership was billed as the cornerstone of the American Dream, as banks aggressively marketed risky financial products to those who could not afford them. Despite warnings from consumer advocates, the federal government, concerned about unintended consequences, resisted regulation of what seemed to be a booming industry. This lack of federal oversight, paired with the skewed, growth-driven priorities of Wall Street, led to an inevitable collapse—one in which bankers got rich and new homeowners were driven deeply into debt, foreclosure, and poverty.

The developing showdown between for-profit colleges and the government is another example of how the aspirations of the underserved and the unfulfilled promise of the American dream combine with lax regulation to make the rich, richer and the poor, poorer.

Low-income and minority students are doing their part to advance America's goal to become the best educated country in the world: Some 86 percent of African-American and 80 percent of Hispanic high school seniors plan to attend college.[1] This is remarkable, given that these students are clustered in K-12 schools where we spend less, expect less, teach them less, and assign them our least qualified teachers. Unfortunately, however, traditional institutions of higher education are not responding with the increased levels of access and opportunities for success that these students deserve.[2]

The failure of public and private nonprofit institutions to serve the underserved—and the allure of public subsidies in the form of federal student aid—has created a formidable market for the for-profit college sector. The for-profit colleges have responded with aggressive recruitment tactics that encourage students to take on debt beyond their means in exchange for the promise of "choice" and "opportunity."

Just as everyday Americans suffered the effects of misplaced priorities and weak regulation of subprime lenders, so too are the most vulnerable in society being harmed by underregulated for-profit colleges that value double-digit stock growth and shareholder returns over student success.

The problem is not the "for-profit" nature of for-profit colleges. Rather, the problem is that their returns are a function of sustained failure, rather than student success. Failure of the K-12 system to prepare all students for college and career. Failure of public and private nonprofit colleges to provide access and success for more low-income and minority students. Failure of the government to put a stop to those institutions—private or public—that abuse our social investment, prey on our underserved population, and threaten the competitiveness of our country.

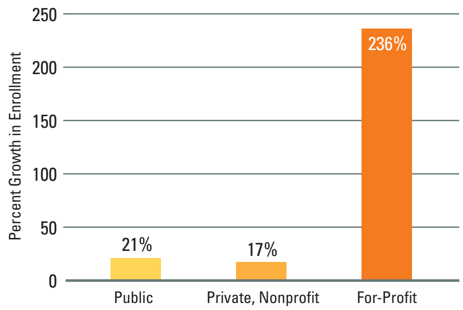
The data presented in this brief demonstrate that "opportunity," touted as "a good chance for advancement or progress," is *not* the product delivered by most for-profit colleges and universities.

RAPID GROWTH AND RECORD PROFITS

The for-profits' business plan has been effective. The sector has grown dramatically over the course of the past decade, far outpacing growth in other sectors of higher education. Between 1998-99 and 2008-09, enrollment at for-profit schools increased by 236 percent, while growth at other

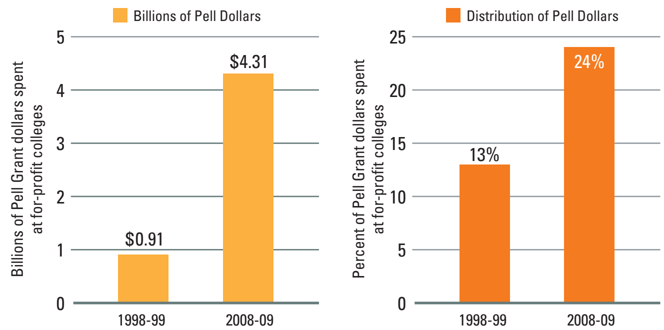
Mamie Lynch is a higher education research and policy analyst, Jennifer Engle is director of higher education research and policy, and José L. Cruz is vice president for higher education policy and practice at The Education Trust.

Figure 1: Rate of Enrollment Growth, 1998-99 through 2008-09



Source: Education Trust analysis of IPEDS 12-month unduplicated headcount enrollment for Title IV U.S. institutions, 1998-99 and 2008-09.

Figure 2: The number and percent of Pell Grant dollars spent at for-profits has increased dramatically.



Source: Education Trust analysis of Federal Pell Grant Program End-of-Year reports, 1998-99 and 2008-09, Table 19: Federal Pell Grant Expenditures, Recipients, and Average Grant by Type and Control of Institution.

colleges and universities totaled about 20 percent (see Figure 1).[3] In fact, expansion of the sector has been so extraordinary that the largest for-profit—the University of Phoenix—today enrolls more students than *the entire for-profit sector* enrolled in 1991.[4]

The rapid rise of the for-profit industry has largely been driven by the aggressive recruitment[5] of low-income students and students of color—a fact that is not disputed by the sector, but rather heralded as a sign of its commitment to underserved populations. Low-income and minority students make up 50 and 37 percent of students at for-profits, respectively.[6] Data from the Beginning Postsecondary Students Longitudinal Study show that more than a quarter of black, Hispanic, and low-income[7] students began their college careers at for-profit institutions in 2003-04, compared with only 10 percent of whites and seven percent of non-low-income students.[8] And while for-profits enroll only 12 percent of all college students, they are responsible for 20 percent of black students and a full 24 percent of Pell Grant recipients.[9]

Pell Grants and federal loans have accompanied the growth, providing a reliable, sustainable, and expanding revenue stream for the sector. In the 2008-09 academic year, for-profit colleges received $4.3 billion in Pell Grants—quadruple the amount they received just ten years earlier (see Figure 2)—and approximately $20 billion in federal student loans.[10] As a result of this large federal investment, the average for-profit school derives 66 percent of its revenues from federal student aid, and 15 percent of institutions receive 85 to 90 percent of their revenue from Title IV.[11] The behemoth that is the University of Phoenix brought in *over one billion dollars* in Pell Grant funding alone in 2009-10,[12] and this year the school risks exceeding federal limits by deriving over 90 percent of revenues from federal financial aid.[13]

The rapid growth and record profit levels reported by these institutions might be acceptable if students were succeeding at record rates. But they are not, forcing us to ask: Access to what? And at what cost?

Expansion of the for-profit sector has been so extraordinary that the largest of these institutions—the University of Phoenix—today enrolls more students than *the entire for-profit sector* enrolled in 1991.

ACCESS TO WHAT?

The for-profits are getting their end of the bargain: growth and profit. The nation is investing to improve access to higher education for underrepresented populations—recognizing that access is essential for a healthy democracy, for prosperity enjoyed by all, and for advancing the president's goal of becoming the most educated country in the world.

What are the students getting? Low-income students and students of color are getting access, but not much success. And access without success—without graduation, without employment—is something the nation cannot afford.

To start with completion rates, among first-time, full-time, bachelor's degree-seeking students who enroll at for-profit institutions, only 22 percent earn degrees from those institutions within six years. By contrast, students at public and private nonprofit colleges and universities graduate at rates two to three times higher—55 and 65 percent, respectively.[14] Certainly, as representatives from the for-profits argue, these numbers do not include all of their students, especially those who attend part-time or transfer in to the institution. But that, of course, is true of the federally reported graduation rates for other colleges, as well.[15] Moreover, the research is very clear: The first-time, full-time degree-seeking students included in federal graduation rate calculations are the most likely to graduate, so these figures may actually overestimate the true completion rates.[16]

In full-page ads in major newspapers, the for-profit institutions make the excuse that, because they provide access to the least prepared and most disadvantaged, they cannot be expected to graduate large portions of their students. These shamefully low expectations are disturbing, and the excuse does not pass muster. In most cases, public and private nonprofit institutions with similar admissions policies or similar percentages of low-income students graduate these similar students at higher rates (see Table 1).

The graduation rates at two-year and less than two-year for-profit colleges are better. At two-year for-profits, 60 percent of students earn an associate's degree or certificate within three years. At less than two-year for-profits, 66 percent earn a credential within three years. These completion rates are considerably higher than the 22-percent rate at public community colleges.[17]

Ordinarily, we would celebrate that success, as we have for public and nonprofit private institutions in a series of

Table 1: Six-Year Graduation Rates in Four-Year Institutions

	Public	Private Nonprofit	For-Profit
Percentage of Total Applicants Admitted			
100%	31%	36%	11%
75-99.99%	51%	57%	31%
50-74.99%	58%	60%	54%
0-49.99%	62%	78%	43%
Percentage of Freshmen Receiving Pell Grants			
67-100%	33%	27%	32%
34-66%	41%	45%	21%
0-33%	59%	70%	31%

Source: Education Trust analysis of College Results Online, 2008

Table 2: Unmet Need Among Low-Income Students

Type of Institution	Cost of Attendance, 2007	Expected Family Contribution, 2007	All Grant Aid, 2007	Unmet Need, 2007
Four-Year				
For-profit	$31,976	$3,518	$3,501	$\boxed{\$24,957}$
Private, nonprofit	$34,110	$3,911	$13,624	$\boxed{\$16,574}$
Public	$18,062	$3,798	$5,676	$8,588
Two-Year				
For-profit	$26,690	$1,882	$3,736	$21,072
Public	$11,660	$3,659	$2,523	$5,478
Less than Two-Year				
For-profit	$20,032	$2,005	$2,874	$15,154
Public	$16,193	$3,791	$1,424	$10,978

Note: Data are not available for private, nonprofit two-year and less than two-year institutions because of small sample sizes.
Source: Education Trust analysis of NPSAS:08 using PowerStats; Full-time, full-year, one-institution dependent students in the bottom half of the income distribution are included in this analysis.

recent publications.[18] However, the data on the amount of debt that students incur at for-profits gives us serious pause.

Students' inability to pay back the debt strongly suggests that the credentials students are earning at these schools, with the intention of preparing themselves for lucrative jobs and careers, may not be worth the cost. Even if they graduate, it seems clear that they are not entering the jobs, and bringing home the income, they had planned for when they entered the institution.

AT WHAT COST?

The price tag for attendance at for-profit institutions is high. At all levels—four-year, two-year, and less than two-year—tuition and fees in 2009-10 at for-profit colleges soar above those at public institutions.[19] And once grant aid is taken into account, the out-of-pocket cost—or unmet need—for low-income students at for-profit schools is even higher than at private nonprofit colleges and universities, which use institutional grants to help defray college costs.[20]

At four-year for-profits, low-income students must find a way to finance almost $25,000 each year, with only a 22-percent chance of graduating. On the other hand, students at four-year private nonprofit institutions have a lower unmet need of $16,600 (see Table 2) and graduate at rates three times higher. Moreover, private nonprofit institutions, while costing students less, actually spend three and a half times more on each student than for-profit institutions do.[21]

College Results Online Reveals For-Profit Graduation Rates as Low as Five Percent

Current data, based on the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS), paints a sobering picture of student completion at for-profit colleges. The Education Trust's interactive tool shaping the data, College Results Online (CRO, www.collegeresults.org), draws from IPEDS to provide information about graduation rates for four-year colleges and universities across the country, including for-profit institutions. Graduation rates from IPEDS are based on first-time, full-time, bachelor's degree-seeking students only, excluding a number of students attending for-profit and other institutions. However, since these students tend to have the highest rates of completion, the data available in IPEDS tend to overestimate an institution's graduation rate.

CRO reveals that, on average, the ten for-profit schools with the largest entering classes of first-time, full-time, bachelor's degree-seeking students graduate only *one in five students*, although success ranges widely across systems (see Table 3).

The graduation rate at the nation's largest for-profit college—the University of Phoenix—is only nine percent. Among students seeking a bachelor's degree through the University of Phoenix's online campus, only five out of every hundred first-time, full-time students manage to earn that degree within six years (see Table 4). Even at Phoenix's *best* performing campus in New Mexico, only a third of students graduate. Surely when these students incurred debt to pay for an education at Phoenix, they expected more from their university.

Table 3: Six-Year Graduation Rates for Ten Large‡ For-Profit Colleges

Institution	Number of Campuses±	Undergraduate Full-Time Equivalent Enrollment	Bachelor's First-Time, Full-Time Graduation Rate Cohort	Six-Year Graduation Rate, 2008
University of Phoenix	42	238,326	16,044	9%
DeVry University	12	24,291	4,189	31%
The Art Institute	16	31,130	2,863	41%
Berkeley College	2	5,889	620	35%
Sullivan University	1	2,862	587	15%
Westwood College	4	6,644	546	27%
International Academy of Design and Technology	3	5,322	529	16%
School of Visual Arts	1	3,351	522	67%
The Illinois Institute of Art	2	3,319	488	44%
ITT Technical Institute	27	17,375	485	66%
Total	110	338,509	26,873	20%

‡ These ten schools were selected because they have the largest bachelor's degree-seeking graduation rate cohorts among all for-profit institutions in College Results Online (CRO). For colleges with multiple campuses, data for all of the campuses were combined.
± The number of campuses listed in this table is based on the campuses in CRO that have complete data available on 2008 graduation rates for bachelor's-seeking students. There may be more campuses affiliated with the colleges than are shown here. For more information about CRO's methodology, view the CRO technical guide at *http://www.collegeresults.org/aboutthedata.aspx.*
Source: College Results Online, 2008

Table 4: Six-year Graduation Rates for University of Phoenix Campuses

Institution	Undergraduate Full-Time Equivalent Enrollment	Bachelor's First-Time, Full-Time Graduation Rate Cohort	Six-Year Graduation Rate, 2008
University of Phoenix-Online Campus	175,200	8,979	5%
University of Phoenix-Southern California Campus	9,280	921	11%
University of Phoenix-Phoenix-Hohokam Campus	3,709	450	15%
University of Phoenix-Metro Detroit Campus	2,454	351	9%
University of Phoenix-Bay Area Campus	1,764	347	14%
University of Phoenix-Houston Westside Campus	3,031	340	19%
University of Phoenix-New Mexico Campus	3,213	334	33%
University of Phoenix-Las Vegas Campus	2,248	253	16%
University of Phoenix-South Florida Campus	2,128	246	21%
University of Phoenix-Louisiana Campus	1,647	238	20%
University of Phoenix-Maryland Campus	998	223	6%
University of Phoenix-Philadelphia Campus	1,200	200	9%
University of Phoenix-Denver Campus	1,247	197	7%
University of Phoenix-Dallas Fort Worth Campus	1,398	194	12%
University of Phoenix-Utah Campus	2,255	192	19%
University of Phoenix-West Florida Campus	1,248	187	21%
University of Phoenix-San Diego Campus	2,335	184	10%
University of Phoenix-Sacramento Valley Campus	3,291	183	13%
University of Phoenix-North Florida Campus	1,311	154	12%
University of Phoenix-Milwaukee Campus	539	129	8%
University of Phoenix-Central Florida Campus	1,413	128	14%
University of Phoenix-Atlanta Campus	1,657	126	22%
University of Phoenix-Tulsa Campus	898	115	23%
University of Phoenix-Southern Arizona Campus	1,740	110	18%
University of Phoenix-Oregon Campus	1,295	106	14%
University of Phoenix-Hawaii Campus	644	104	16%
University of Phoenix-Oklahoma City Campus	767	104	22%
University of Phoenix-West Michigan Campus	572	101	8%
University of Phoenix-Western Washington Campus	835	99	12%
University of Phoenix-Chicago Campus	1,116	85	8%
University of Phoenix-Nashville Campus	867	82	13%
University of Phoenix-Boston Campus	443	81	12%
University of Phoenix-Kansas City Campus	694	75	8%
University of Phoenix-Puerto Rico Campus	1,146	69	17%
University of Phoenix-Southern Colorado Campus	416	67	12%
University of Phoenix-St Louis Campus	511	67	6%
University of Phoenix-Idaho Campus	458	64	14%
University of Phoenix-Cleveland Campus	525	55	4%
University of Phoenix-Northern Virginia Campus	421	41	12%
University of Phoenix-Pittsburgh Campus	213	34	12%
University of Phoenix-Wichita Campus	278	23	4%

Note: Institutions are not listed if they are missing 2008 graduation rate data or if they have a graduation rate cohort of less than 10 students.
Source: College Results Online, 2008

If there is one thing that the for-profits can virtually guarantee their students, it's years and years of student loan debt.

FORECLOSED FUTURES

To cover the high cost of attendance, almost all students at for-profit institutions must borrow. Low-income and minority students are far more likely to borrow to finance their education at for-profit colleges than at other institutions,[22] and students at for-profit colleges take out federal Stafford loans at rates far higher than students at public and private nonprofit institutions. In fact, the cost of attendance is so high at for-profits that many students must max out their federal loan limits and turn to risky private borrowing to cover the remainder of the cost (see Table 5).[23]

In addition, almost all students borrow heavily. Among students who earn bachelor's degrees, the median debt at graduation for students at for-profits is $31,190, compared with $7,960 at public and $17,040 at private nonprofit institutions (see Figure 3). Indeed, 19 percent of associate's degree students and 3 percent of certificate completers at for-profits have debt loads greater than $30,000, compared with only 2 percent and 1 percent of students in these programs, respectively, at public institutions. On the other end of the scale, only 4 percent of bachelor's degree recipients at for-profits graduate debt-free, compared with 38 percent and 28 percent at public and private nonprofit institutions.[24]

If there is one thing that the for-profits can virtually guarantee their students, it's years and years of student loan debt. What they do not guarantee is a job that will allow students to pay off that debt.

Students often must struggle to manage their loan payments. Take, for example, Anne Cobb—a graduate of the University of Phoenix whose student loan debt has doubled from $30,000 to over $60,000 as interest and fees have accrued over ten years. She has used deferments and consolidations to try to cope with the large debt, but is trapped in what she calls a "horror story."[25]

Unsurprisingly, loan default rates are high. About ten percent of for-profit students default on their federal loans within two years of entering repayment, and significantly more default in the following year, bringing the three-year default rate to 19 percent.[26] These default rates are about twice as high as the rates of students at public and private nonprofit colleges. In fact, for-profits represent 43 percent of all federal student loan defaults, even though they make up only 12 percent of enrollments and 24 percent of federal loan dollars.[27]

The consequences of default are severe. Student loan debt is not dischargeable in bankruptcy, so it can follow a student for a lifetime. Defaulters can have their wages garnished, their income tax refunds intercepted, and their Social Security payments withheld.

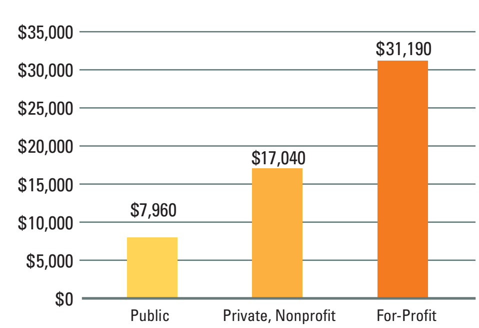
These unmanageable debt burdens and high default rates indicate that for-profit schools do not provide students with the education necessary to secure employment at a level that allows them to repay the hefty loans they must borrow.

Table 5: Students at for-profit colleges are more likely than others to take out loans.

Institution Type	Percent of Students Receiving Loans: Stafford	Private
Four-Year		
For-profit	94	46
Private, nonprofit	54	25
Public	42	14
Two-Year		
For-profit	95	42
Private, nonprofit	47	18
Public	11	5
Less than Two-Year		
For-profit	67	34
Private, nonprofit	31	NA
Public	15	7

Source: Education Trust analysis of NPSAS:08 using PowerStats

Figure 3: Median Debt of Bachelor's Degree Recipients, 2007-08



The sector asserts that their higher default rates are simply a result of student demographics. They serve low-income students, minorities, and students with more challenging financial circumstances than those at more traditional institutions, so of course those students have more trouble paying back their loans—or so they claim. However, a recent report found that even when controlling for student demographics and completion rates, default rates are *still* much higher at for-profit institutions than at other colleges.[28]

In an especially strange twist, a number of for-profit educational companies, including Corinthian Colleges, ITT Technical Institute, and Career Education Corporation, have recognized that students require private loans to afford their tuitions, and now themselves double as banks, offering loans directly to students. Corinthian Colleges continues to provide these loans even though it assumes that over half of students will default.[29] Evidently, the company has done the math and determined that the profit derived from enrolling additional students outweighs these financial losses. What they have omitted from their calculation is the devastating effect that this borrowing and defaulting has on the future opportunities of the students they claim to serve.

It is appalling that some of these companies encourage students who *they believe will not be able to repay their loans*—even after receiving the education that they sell—to take on massive amounts of debt that will haunt them for the rest of their lives. Just as many low-income and moderate-income families faced foreclosure after mortgage bankers "helped" them to buy homes through subprime borrowing, so too will the help of the for-profit industry foreclose students' futures.

CONCLUSION

For-profit colleges argue that they are models of access and efficiency in America's overburdened higher education system. But instead of providing a solid pathway to the middle class, they are paving a path into the subbasement of the American economy. They enroll students in high-cost degree programs that have little chance of leading to high-paying careers, and saddle the most vulnerable students with more debt than they could reasonably manage to pay off, even if they do graduate.

The sector claims that it costs taxpayers nothing, largely because their institutions pay taxes from which other colleges are exempt.[30] However, their degrees are not free. Rather, the cost falls squarely on the shoulders of low-income and minority students—students who have put faith in these institutions of higher education to provide them with a path towards a better future.

As a country, shouldn't we be willing to shield students from years of debt by investing in educational programs that will advance both the lives of individual students and our democracy as a whole? An educated citizenry, after all, is a public good—one worthy of *responsible* taxpayer investment in the institutions—public, private, and for-profit—that can truly advance knowledge, equity, and social mobility.

There should be nothing subprime about opportunity in America.

Notes

1 U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 2006 (NCES 2006-071)* (Washington, D.C.: U.S. Government Printing Office, 2006), Indicator 23. *http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2006071*

2 See Mamie Lynch and Jennifer Engle, "Big Gaps, Small Gaps: Some Colleges and Universities Do Better Than Others in Graduating Hispanic Students" and "Big Gaps, Small Gaps: Some Colleges and Universities Do Better Than Others in Graduating African-American Students," The Education Trust, January 2010, and Kati Haycock, Mary Lynch, and Jennifer Engle, "Opportunity Adrift: Our Flagship Universities Are Straying From Their Public Mission," The Education Trust, January 2010.

3 Education Trust analysis of Integrated Postsecondary Education Data System (IPEDS) 12-month unduplicated headcount enrollment for Title IV U.S. institutions, 1998-99 and 2008-09 (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics). *http://nces.ed.gov/ipeds/*

4 The Institute for College Access and Success (TICAS) analysis of fall IPEDS data in Lauren Asher, President, the Institute for College Access & Success, testimony before the Senate Committee on Health, Education, Labor, and Pensions hearing on the federal investment in for-profit education, "Are Students Succeeding?" September 30, 2010. *http://help.senate.gov/imo/media/doc/Asher.pdf*.

5 Gregory D. Kutz, Managing Director Forensic Audits and Special Investigations, testimony before the Senate Committee on Health, Education, Labor, and Pensions, "For Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices," GAO-10-948T, Government Accountability Office, August 4, 2010. *http://www.gao.gov/new.items/d10948t.pdf*.

6 Income: Education Trust analysis of IPEDS, percentage Pell Grants among undergraduates from the Student Financial Aid survey data file, 2008-09; Race: Education Trust analysis of IPEDS 12-month unduplicated headcount enrollment at Title IV U.S. institutions, 2008-09. Underrepresented minority students include African-Americans, Hispanics, and American Indians.

7 Low-income is defined as students with family income below 200 percent of the federal poverty level.

8 Education Trust analysis of "Beginning Postsecondary Students Longitudinal Study" (BPS), BPS:96 and BPS:04 using PowerStats. http://nces.ed.gov/datalab.

9 Education Trust analysis of IPEDS 12-month unduplicated headcount enrollment for Title IV U.S. institutions, 2008-09, and Federal Pell Grant Program End-of-Year Report, 2008-09, Table 5:

Distribution of Federal Pell Grant Recipients by Expected Family Contribution and Type and Control of Institution.

10 Education Trust analysis of Federal Pell Grant Program End-of-Year reports, 1998-99 and 2008-09, Table 19: Federal Pell Grant Expenditures, Recipients, and Average Grant by Type and Control of Institution, and Senate staff calculation of data provided by U.S. Department of Education in "Emerging Risk? An Overview of Growth, Spending, Student Debt, and Unanswered Questions in For-Profit Higher Education," Senate Committee on Health, Education, Labor, and Pensions, June 24, 2010. *http://harkin.senate.gov/documents/pdf/4C23515814dca.pdf*

11 "For-Profit Schools: Large Schools and Schools that Specialize in Healthcare Are More Likely to Rely Heavily on Federal Student Aid," (GAO-11-4), Government Accountability Office, October 2010. *http://www.gao.gov/products/GAO-11-4*.

12 2009-2010 Award-Year Grant Volume by School, Department of Education Data Center, referenced in Ben Miller, "U of Phoenix Makes History," *The Quick and the Ed*, July 20, 2010. *http://www.quickanded.com/2010/07/phoenix-makes-history.html*

13 Analyst and investor call with Brian Swartz, University of Phoenix's Chief Financial Officer, referenced in John Lauerman and Esmé E. Deprez, "Apollo, Education Shares Plunge on Enrollment Outlook," Bloomberg Businessweek, October 14, 2010. *http://www.businessweek.com/news/2010-10-14/apollo-education-shares-plunge-on-enrollment-outlook.html*

14 IPEDS First Look 2008-09, Table 5, "Graduation rates at Title IV institutions, by race/ethnicity, level and control of institution, gender, and degree at the institution where the students started as full-time, first-time students: U.S., cohort year 2002."

15 Education Trust analysis of IPEDS 2008 data (current year GRS cohort as a percentage of entering class) shows that the graduation rate cohort captured 51 percent of the entering classes at for-profit institutions in fall 2008, compared with 44 percent at public institutions and 70 percent at private nonprofit institutions. In the 2008 IPEDS database, data are missing for the 2008 graduation rate cohort for University of Phoenix, so this institution is omitted from the calculations. In 2007, for which data are available, 50 percent of University of Phoenix's entering class were included in the graduation rate cohort. These calculations are based on academic year reporting institutions only. For-profit institutions are more likely than others to use program year reporting rather than academic year reporting.

16 L. Berkner, S. He, and E.F. Cataldi, "Descriptive Summary of 1995-1996 Beginning Postsecondary Students: Six Years Later," U.S. Department of Education, National Center for Education Statistics, 2002. Extending the completion timeframe to eight years or accounting for students who transfer and graduate at different institutions also is unlikely to increase graduation rates dramatically. See Kevin Carey, "A Matter of Degrees: Improving Graduation Rates in Four-Year Colleges and Universities," The Education Trust, May 2004.

17 IPEDS First Look 2008-09, Table 5, "Graduation rates at Title IV institutions, by race/ethnicity, level and control of institution, gender, and degree at the institution where the students started as full-time, first-time students: United States, cohort year 2005." Caution should be used when comparing graduation rates at for-profits and public community colleges because of differences in the length of academic programs. See Christopher M. Mullins, "Just How Similar? Community Colleges and the For-Profit Sector," American Association of Community Colleges, AACC Policy Brief 2010-04PBL, November 2010.

18 See Mamie Lynch and Jennifer Engle, "Big Gaps, Small Gaps: Hispanic Students" and "Big Gaps, Small Gaps: African-American Students."

19 IPEDS First-Look, Table 3. "Average, median, and number of institutions reporting academic year tuition and required fees for full-time students at Title IV institutions, by control of institution, student level, level of institution, United States, academic year 2009-10."

20 Education Trust analysis of The National Postsecondary Student Aid Study (NPSAS), NPSAS:08 using PowerStats. *http://nces.ed.gov/datalab*.

21 Daniel L. Bennett, Adam R. Lucchesi, and Richard K. Vedder, "For-Profit Higher Education: Growth, Innovation, and Regulation," Center for College Affordability and Productivity, July 2010. Note: Per-student spending includes building and facilities operation expenses, but not capital expenditures.

22 TICAS analysis of NPSAS:08, referenced in testimony of Lauren Asher, "Are Students Succeeding?"

23 Education Trust analysis of NPSAS:08 using PowerStats. *http://nces.ed.gov/datalab*.

24 *Trends in Student Aid* (Washington, D.C.: The College Board, 2009).

25 Frontline, PBS, "College Inc." May 4, 2010. *http://www.pbs.org/wgbh/pages/frontline/collegeinc/etc/script.html*.

26 Education Trust analysis of Department of Education, Trial Three-Year Cohort Default Rates, National Student Loan Data System, *http://federalstudentaid.ed.gov/datacenter/cohort.html*.

27 Senate Committee on Health, Education, Labor, and Pensions, "Emerging Risk?" and Education Trust analysis of the following: IPEDS 12-month unduplicated headcount enrollment for Title IV U.S. institutions, 2008-09 and U.S. Department of Education, "Institutional Default Rate Comparison." *http://www2.ed.gov/offices/OSFAP/defaultmanagement/instrates.html*

28 Jonathan Guryan and Matthew Thompson, "Report on Gainful Employment," Charles River Associates, April 2, 2010, referenced in testimony of Lauren Asher, "Are Students Succeeding?"

29 Testimony of Lauren Asher, "Are Students Succeeding?"

30 Jorge Klor de Alva, "For-Profit Colleges and Universities: America's Least Costly and Most Efficient System of Higher Education," NEXUS Research & Policy Center, August 2010; Robert J. Shapiro, and Nam D. Pham, "Taxpayers' Costs to Support Higher Education: A Comparison of Public, Private Not-for-Profit, and Private For-Profit Institutions," Sonecon, September 2010.

ABOUT THE EDUCATION TRUST

The Education Trust promotes high academic achievement for all students at all levels—pre-kindergarten through college. We work alongside parents, educators, and community and business leaders across the country in transforming schools and colleges into institutions that serve all students well. Lessons learned in these efforts, together with unflinching data analyses, shape our state and national policy agendas. Our goal is to close the gaps in opportunity and achievement that consign far too many young people—especially those who are black, Latino, American Indian, or from low-income families—to live on the margin of the American mainstream.

LUMINA®
Foundation for Education

The Education Trust is grateful to Lumina Foundation for Education for generously supporting our work. The views expressed in this publication are those of the authors and do not necessarily represent those of the foundation, its officers, or employees.

The Education Trust

1250 H STREET, NW, SUITE 700, WASHINGTON, DC 20005
P 202-293-1217 F 202-293-2605 WWW.EDTRUST.ORG