



The Need for Greater Regulation of For-Profit Schools Support HB 1103/SB 795 with Amendments

Problem:

In recent years, for-profit colleges and career schools have come under scrutiny for poor student outcomes and high debt for graduates relative to earnings.

In 2016, the Maryland Consumer Rights Coalition released a research report called *Making the Grade: an Analysis of For-Profit Colleges and Career Schools in Maryland*. Our report found:

- For-profit schools cost three to five times more, on average, than their public counterparts. For example, the report found that, on average, Maryland students pay \$3,786.35 for a public school's Pharmacy Technician program and \$15,813 at a similar for-profit school program.
- Only 33% of students pursuing bachelor's degrees at for-profits reached graduation.
- Only 58% of students in for-profit schools in Maryland who managed to graduate found employment.
- In Maryland, of the total number of African-Americans enrolled in post-secondary education, 62% were enrolled at for-profit and private career schools, even though African-Americans only comprise 30% of the population in Maryland. In communities where wealth building is most critical, predatory for-profit schools are building a legacy of debt.

Our 2016 Legislation

In 2016, legislation was passed to create a Guaranty Fund for students who have been harmed by for-profit colleges. The Fund would be paid into by for-profit colleges each year and would provide financial relief to those students whose schools defrauded them or went through a disorderly closure.

Unfortunately, the regulations written by the Maryland Higher Education Commission (MHEC) to implement the law did not sufficiently set up the Guaranty Fund to operate in an effective way. MHEC's regulations allow for-profit schools to avoid paying into the fund based on a performance evaluation. This is a problem because it could leave the Guaranty Fund without the ability to offer relief to students should a large institution close, like ITT Tech. Senator Pinsky and Delegate Hettleman have decided to bring new legislation that would outline new regulations clearly, and in the way the General Assembly intended them to be written.

Solution:

HB 1103/SB 795 increases disclosure requirements for for-profit schools operating in the state. It also creates clear regulations for MHEC to implement to create a Guaranty Fund for defrauded for-profit school students. The bill dictates that all for-profit colleges in the state must pay into the fund – regardless of performance – and that the fund must maintain a balance no less than “the amount of money that would be needed to refund all the Maryland students at the for-profit institution of higher education that has the largest student tuition liability in the state.”

Our Amendments:

Our amendments strengthen the disclosure requirements in the bill by including a provision that all disclosures be made to the student *before* they enroll or make a financial commitment to the college. It also clarifies the meaning of



“Length of the Program” as a disclosure requirement to be “Median time it takes a student in the program to graduate.” . Finally, it requires schools to disclose the average amount of debt with which a program participant graduates, instead of the Cohort Default Rate. We feel that this measure would be more meaningful to students and would be less likely to mask poor outcomes from predatory institutions. We feel that these amendments proactively close loopholes that would otherwise render the disclosures useless.

Disproportionate Effects on People of Color, Low-Income Folks, and Veterans:

Nationally, many for-profit schools have been criticized for targeting low-income and African-American students. Low-income students can qualify for the highest amount of financial aid which is why they are seen as a lucrative demographic for for-profit schools.

To maximize the federal dollars they receive, for-profit schools target recruitment efforts to low-income communities and communities of color who are likely to be eligible for the maximum amount of Title IV funding available. These prospective students are frequently the first in their families to attend college and may lack the information needed to determine what type of program or school would best fit their needs.

In Maryland, of the total number of African Americans enrolled in post-secondary education, 62% were enrolled at for-profit and private career schools – even though African-Americans only comprise 30% of the population in Maryland. Consequently, for-profit schools in Maryland have a disparate effect on African-Americans. The high costs, large loans, and large debt burdens associated with for-profit schools are particularly troubling since one in five African-Americans in Maryland live below the federal poverty line.

Furthermore, for-profit schools target returning service members when their tour of duty is completed. Many schools partner with lead-generator sites to collect information about veterans, while others create websites with military sounding names to attract service members. For-profit school recruiters frequently visit wounded warrior centers and VA hospitals to recruit prospective students.

Today the largest share of military educational benefit programs is going to for-profit colleges. On average, it costs taxpayers twice as much to send a veteran to a for-profit college (\$7,972) than a public college (\$3,914). This is a bad investment for the individual and for taxpayer dollars.¹

Benefits of Better Regulating For-Profit Schools in Maryland:

Strong regulations to weed out bad actors not only help Maryland students, but it is good for Maryland taxpayers who are subsidizing predatory institutions. The creation of a Guaranty Fund allows relief for students who – for no fault of their own – took on massive amount of student debt to attend an institution that has since been proven to be committing acts of fraud.

Support HB 1103/SB 795 with amendments to help students at predatory for-profit colleges and career schools in Maryland.

¹ http://marylandconsumers.org/penn_station/folders/about/test_2/For-Profit_School_Report_-_for_website.pdf