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Counterfeit Ed

by Meral Agish, Sarah Barrett, Mark Fahey, Audrey McGlinchy, Jake Naughton and Orestis Tsonopoulos

SECTION I: The Set-up

David Guerra does not have grand ambitions. By this point in his life, the 55-year-old had hoped to be a building manager at a nice residential building — somewhere with a staff to manage, perhaps, where he could be in charge.

Every weekday morning, Guerra takes two trains from his home in Queens, N.Y., to a residential building on East 51st Street and First Avenue in Manhattan. Instead of running the show, though, he inspects boilers and mends broken heaters as the building's handyman, a job he's held in some form or another for more than 30 years.

Five years ago, after years of working hard and hoping for a promotion, Guerra decided to try a new track. In 2009, he signed up for a Facilities Management Technology program at the Technical Career Institute College of Technology, a for-profit college in the city, with the understanding that his degree would get him a job as a building manager. "Education makes you think not only how, but why," says TCI's president John McGrath in a recruitment video on the school's website. "The person that knows how will most likely have a job, but the person that knows why will most likely be their boss,"

Things didn't go as Guerra had hoped — in his words, he was robbed. But his robbery wasn't as cut and dry as a missing computer, cell phone or even a car. The thieves in Guerra's story stole much more than money — in his view, they robbed him of an opportunity at a better life. After graduating with an associate's degree from TCI, all he has to show for it is \$36,000 in debt. He still works as a handyman and earns the same \$729 per week he made before graduating.

"The biggest frustration for me is that TCI was supposed to open the door," said Guerra. "But when I show people my degree, it doesn't impress them."

Last year, Guerra went to the New York Legal Aid Group for help with his student loan repayment. Since 2012, NYLAG has been collecting allegations from students who have attended the city's numerous for-profit colleges, with a focus on for-profit schools like TCI, Berkeley College and Apex Technical School. In July, the organization filed its first complaint against ASA College, a for-profit school with sites in Manhattan and Brooklyn.

In industry parlance, a for-profit college is a school that operates like a business, passing revenue earned from tuition on to the owners or shareholders of the school, or company. Many of the biggest for-profit schools around the country are publicly-traded corporations, with huge companies like Wells Fargo owning shares — these have received a lot of attention in recent years. A subset of for-profits is made up of privately-held companies like ASA and TCI, and these are usually owned by one person or a handful of people. As private companies, information about their operations can be hard to come by.

According to NYLAG and the eight plaintiffs named in the suit, the school's programs do not provide relevant training and produce graduates who can't find work – all while collecting hefty tuition payments borrowed by low-income students.

NYLAG isn't the first group to call foul on for-profit schools like TCI and ASA. As enrollment at for-profit schools has exploded over the decade – more than doubling between 2003 and 2012 – the Department of Veterans' Affairs and the Consumer Financial Protection Bureau have been soliciting complaints from current and former students of for-profit colleges. Thirty-seven state Attorneys General led by Kentucky Attorney General John Conway have formed a working group to investigate for-profit colleges.

“The unfair and unethical business tactics of those schools are leaving too many students drowning in debt with worthless degrees, while taxpayers are left footing the bill for debts that are never repaid,” Conway said in a press release urging the federal government to hold these schools more accountable.

Some investigations have resulted in school shut downs. More than a dozen states from California to Wisconsin investigated the for-profit giant Corinthian Colleges – which educated more than 70,000 students at its peak – for abuses ranging from misrepresentation of job placement rates to false advertising and aggressive recruiting. The school was forced to close when the Department of Education took the unusual step of waiting a few weeks to release student loans while it finalized its investigation.

For Guerra, the title of building manager or superintendent would mean more than just financial security. It would mean a sense of pride that, at 55 years old, he can provide for his family beyond a paycheck-to-paycheck existence. After a long search, one day while walking down the street, he saw TCI's signs and decided to stop in. They had a program called “building facilities management” and Guerra thought he had finally found what he'd been looking for. He asked what paperwork he needed to sign up.

“They told me my income tax. Solamente,” said Guerra, emphasizing the last word, which means “only” in English. “They told me it was for a scholarship.”

Guerra was not eligible for a scholarship. Instead, he was told to fill out paperwork for loans. “It was just like that,” he said, snapping his fingers. In ten minutes he had enrolled.

Students at for-profits around the country are disproportionately low-income people of color. This trend holds true for New York City's for-profits, which enroll over 100,000 students across Brooklyn, Manhattan, Queens and Long Island. In a nation where a college degree is widely seen as a ticket out of poverty, students are taking a chance on for-profits and often coming up short. For-profit schools argue that their poor graduation and loan repayment rates are low because of the population they serve: often single parents with part-time jobs, and lower income and years older than traditional college students. (These are also the students to whom for-profit schools actively market).

In New York, the Attorney General's office has opened investigations into eight of the state's for-profit colleges. Of the institutions under review, which include a beauty school and Donald Trump's real estate seminars offered under Trump University, only one case has reached a conclusion – last year the state

settled with Career Education Corporation for over \$10 million for misrepresenting job placement rates, with \$9 million paid in restitution to students.

In 2012, state politicians passed a bill that would better monitor these schools, including the development of a database that would allow students to look-up a school's status or a teacher's licensing. Just a year earlier the city rolled out the Know Before You Enroll Campaign to inform would-be college students about for-profit schools and to collect complaints from those students who felt they had been wronged. Since the campaign's inception, ASA has received 26 complaints and TCI 13 – the most of the city's more than a dozen for-profit colleges. (TCI did not respond to requests for comment for this story).

An investigation by students at the CUNY Graduate School of Journalism found that despite state and city regulations, for-profit schools in New York City continue to sell vulnerable students career-focused curriculum without the payoff of a better life.

SECTION II: Over-promising, Under-delivering

Students at for-profit colleges pay, on average, more to go to school and go into more debt doing it. In New York, cost of attendance at the top for-profit schools totals roughly 150% of the average cost of the top public schools. On a national level, about 70 percent of undergraduates who attend for-profit schools take out federal loans, compared to 30 percent of students attending public colleges and 60 percent at private colleges.

On a recent Tuesday, 34-year-old senior staff attorney Eileen Connor sat in a sunny office in NYLAG's lower Manhattan building and began cataloguing the for-profit students she has met.

“When I meet with these people, it's very clear to me that there's exactly one purpose why they went to a school, which is to get a job,” said Connor. “It's difficult with education to really quantify what a good outcome is, but in this case it's not difficult. The outcome is the job that the student was expecting to get and needs to get.”

Many modern for-profit schools started as trade schools (some still are), and continue to offer the same type of education: career-focused, with courses like criminal justice and medical assistance. According to ASA's website, students can expect to learn how to file patient records or draw blood, taught as part of the associate's degree in Medical Assisting. Ostensibly, this gives graduates the knowledge they need to transition right into jobs.

Yet students who attended a for-profit college were more likely to be without a job six years after starting the program. Students from for-profit colleges earn annual wages, on average, that are \$1,800 to \$2,000 lower than the wages of students who had gone to other colleges.

Last year, Harvard researchers used fake resumes to apply to nearly 2,500 jobs, listing either a for-profit school or a non-selective public university under the education section. Work histories were kept the same. Researchers found that fictitious candidates with a degree from a for-profit school were 22 percent less likely to get called for an interview. Compared to candidates with only a high school degree, for-

profit graduates were barely more qualified in the eyes of employers – they were only 1 percent more likely to get a call back.

“What it tells you is that employers really do think less of graduates of for-profit schools not because they have worse work experience or look worse in other ways,” said lead researcher David Deming.

For-profits go to great lengths to advertise the benefit of their programs, occasionally obfuscating the truth or skirting it entirely. Informational brochures for programs offered by for-profit schools, including ASA and TCI, claim that courses will prepare students for certain fields or exams. In actuality, these jobs require no special training and in some cases all someone would need is a G.E.D.

Completion of ASA’s associate’s degree in health information course, according to the school website, prepares a student to pass industry certification exams. But in order to be a Registered Health Information Technician (RHIT), a student must have studied at a college accredited by the Commission on Accreditation for Health Informatics and Information Management Education – something ASA does not have. Graduates would be unable to pass the RHIT exam because they are not eligible to sit for it.

Joe Cooper enrolled in ASA’s criminal justice program in 2011 after he read that the course could help him become a police officer. The cut-off age for the police academy exam is 35, information that no one at ASA passed on to 48-year-old Cooper. Although Cooper says he was happy with the classes, he’s working at the same job he had before ASA despite trying to communicate with the school’s career services. Any jobs they’ve found for him have been almost half of what he made – \$25 per hour – before school.

“You can’t call me and say, I’ve got something for you, and then I look at it’s like \$14 an hour. I’m like, are you joking? It costs at least a minimum of \$15 just to stay in New York,” said Cooper.

In 2012, for-profit colleges reported \$17,000 in revenue for every full-time student. The same colleges spent \$14,307 per student overall, with only \$3,484 going to the cost of instruction, compared to \$7,512 at public schools.

And in the case of for-profit colleges, a majority of their revenue is made up of federal student aid in the form of student loans and grants regulated by Title IV of the Higher Education Act of 1965. Between 2005 and 2006, TCI received a total of \$20 million in Title IV funding. That same year, TCI improperly paid \$440,487 in student loans for students who had withdrawn after their first semester, in order to avoid changes to their student loan default rate and maintain federal loan eligibility, according to a US Department of Education audit.

“The way the business model works is the students are effectively accessing an entitlement program so if you can find a warm body to come in the door, you can get a certain amount of money from them,” said Ben Miller, an education policy analyst at the New America Foundation, a non-profit think tank.

For the fiscal year between 2010 and 2011, ASA reported \$78 million in revenue, half of which was from federal loans, another \$27 million from federal need-based grants and \$15 million in need-based grants

from the state. But stories from former teachers – who talked of a recurring lack of paper and delays in receiving textbooks – call into question the school’s revenue spending.

When Stephen Hirst speaks about the two years he taught English and composition at ASA, he starts by describing the classrooms. Hirst, who wears glasses and a trim beard, said the rooms in which he taught were often partitioned by flimsy dividers and students complained about instruction that was hard to hear over the noise of the neighboring class.

Hirst, who has an MFA in creative writing from Eastern Washington University, said he met with administrators to talk about some concerns he had. First, there was no paper. Copiers were always breaking, Hirst said, and sometimes teachers didn’t get textbooks until weeks into a course.

“We do a lot for our students,” said ASA President Shchegol. “We create a unique environment.”

The starting rate for a teacher at ASA is \$25 to \$30 an hour, and tenure is rare. Greig Roselli, who taught English at ASA for two and a half years, said administrators told him repeatedly that he was being considered for a full-time position, but a promotion never materialized.

“Every time I asked, I was told to fill out a new form or write another letter of inquiry,” Roselli said. He didn’t see an increase in his pay rate of \$30 an hour during the two-and-a-half years he taught there.

Forms were a constant battle. Administrators told Hirst that one of the most important things was logging attendance and he was often nagged about filing ‘at-risk reports,’ paperwork that identified students in danger of failing. They were time-consuming documents, Hirst said, and since he was only paid for time in the classroom he eventually stopped filling them out.

Students often walked into classes several weeks into the course. If a course was 15 weeks long, said Hirst, a student could come in as late as six weeks. The administration simply told him to catch the student up.

Despite this, former ASA teachers agreed that faculty members were not unqualified. The school’s administration agrees.

“Our faculty performs better than faculty at NYU,” said Shchegol, the school’s president. “That’s not official,” he added.

And yet despite employing teachers seemingly up for the task, students’ needs were still not being met. Hirst told the story of an older student who had come to ASA to get a degree so he could quit his job picking up trash in Herald Square. Hirst ran into him years after he graduated.

“He was still there, picking up trash in Herald Square,” he said. “He said hi to me, but could see it in his eyes. You know, ‘Thanks for nothing.’”

SECTION III: Always Be Closing

Jean-Pierre LaCour sees the effects of for-profit college marketing every day. If not in his office, where he offers educational counseling in the Bronx, then right nearby when he steps out. If not at work, then on his commute home to Inwood in upper Manhattan. For LaCour, who works as a program director at The Center for Achieving Future Education at BronxWorks, a social service organization, it's as if he can't escape them.

Recently, ASA College regularly parked its truck right outside BronxWorks' doors, creating a direct clash between ASA's messaging and the information LaCour and his colleagues offer just steps away.

"I had to tell ASA to move their truck away from our building," LaCour said. The ASA truck now parks a few blocks away, but it still feels like its following him. Often when he leaves for the day and heads home to Inwood, one of the first things he sees right by the subway exit is an ASA truck, with tables full of pamphlets and recruiters ready to chat with anyone who slows down.

"Basically, they're set up to serve as a predator to our community," he said.

LaCour faults ASA and other for-profit programs for targeting people like his clients: young people of color who come from lower-income communities and are considering education as a means to a better future.

"Students come in with lots of misinformation about the types of programs that are out there," he said, particularly when it comes to promises of low-cost and quick completion. "They can be relentless in regards to how much solicitation they do," he said, talking about for-profit schools. "They bombard our students."

Across the country, publicly traded for-profit education companies spend on average 23 percent of their total revenue on marketing and recruiting, or \$2,622 for every student. A 2010 report found that 30 publicly-traded for-profit companies employed one recruiter for every 49 students enrolled.

And while schools are heavily equipped for marketing, they're aiming for a certain demographic. Nearly half of the students at for-profit colleges are black or Hispanic, compared to about a fifth of students at other schools (ASA's students are 39 percent black and 40 percent Hispanic, while TCI's student body is 42 percent black and 34 percent Hispanic).

NYLAG and Connor allege that for-profit schools in the city often advertise in places where people might be especially desperate for a way to better their lives, quickly: homeless shelters and probation offices.

LaCour at BronxWorks described the schools' recruitment techniques he's seen as an "ongoing attack mode" and gave an example. After one of his clients requested more information from ASA, he received six or seven calls during a two-week period. The school's representatives discouraged the student from even considering city schools and gave him information that contradicted LaCour's.

While LaCour tries to steer students away from most for-profit programs, he acknowledges that some do offer real educational value for his clients. "There are students that have come through the trade schools because they want more hands-on experience," he said, particularly for specialized medical work in radiation technology and ambulatory care. "Those are really continuing education courses, and our students learn those skill sets."

Some for-profit recruiting practices became so predatory that legislators passed legislation to restrict them. In 2014, Massachusetts proposed a law that would prohibit schools from harassing the students they are trying to recruit. Investigators who visited the websites of for-profit colleges in Massachusetts and filled out a web form asking for basic information, including a phone number, received 436 phone calls from recruiters over a period of 30 days. Recently, a for-profit college in Florida used strippers to attract potential students.

Such regulations don't exist in New York.

ASA recruiters set up stands at Fulton Mall in Brooklyn, outside the school's Manhattan site in Herald Square and on Fordham Road in the Bronx. Pamphlets and flyers blanket small tables covered with purple and black cloth – the school colors.

“They're not doing this in the Upper East Side,” said a former ASA teacher who asked not to be named. “They're doing this in Sunset Park where the promise of an education could seem life changing.”

While ASA President Shchegol confirmed that representatives of the school are on the street, he said that they do not actively enlist students.

“If you're walking and thinking about going to college, and you see a college information station, you're going to come and talk to a live person and ask questions. Is it recruitment? The same thing in the paper. People see the ad, they like it, they call. They don't like it, they don't call,” said Shchegol. “Were making it convenient for them, that's all.”

On a late September morning in Brooklyn, two young women, one wearing an ASA t-shirt stood outside a Children's Place on Fulton and Lawrence Streets trying to get people to take their handouts.

But the temperature was 93 degrees, and the ASA recruiters spent a majority of their time fanning themselves with the promotional flyers. Then, someone stopped to chat.

A recruiter's job is to get potential students into ASA's offices and signed up for classes. When such a person shows interest, they walk together a block north to the school's Brooklyn building on Willoughby Street. In September, signs with purple lettering adorned the building: “Open Registration – Walk-ins welcome.”

A young black woman, Chanel, wheeled her daughter's stroller along Fulton Street when a recruiter stopped her. They talked and minutes later the two women, one of them navigating a stroller through the crowds, walked to ASA.

Twenty minutes later, a man helped lift Chanel's daughter's stroller down the steps of ASA. In the time it took to pick out a shirt at Macy's down the block, she'd signed up for ASA's course in nursing.

SECTION IV: Doomed to Repeat It

The history of for-profit colleges has followed a cyclical pattern for the last 70 years. Almost as soon as there is real money to be made scandal is never long to follow.

The modern American version of a for-profit college originated in the late 18th- and early 19th-centuries, when schools opened in response to a need for business and trade training outside traditional college settings. By 1890, about 81,000 students were enrolled in 250 proprietary schools across the country.

Even at their earliest, for-profit schools made claims to educational utility, ease and flexibility. In 1771, a builder named Thomas Nevell launched what may have been the nation's first architectural program, which "a person of a common capacity" could complete in "two months at most."

The language has shifted only slightly for modern for-profit schools looking to attract students with promises of accessibility and convenience. ASA College's website has a checklist detailing why students should consider enrolling, highlighting attractive features like day, evening and weekend classes and the opportunity to "earn your college degree in just 16 months," assuming no remedial courses are required. TCI's page emphasizes flexibility and convenience, assuring students the program is structured "so that you can attend class and achieve your goals while recognizing that you may have a busy, multi-faceted lifestyle."

Like many for-profit colleges, TCI College's claim to a 100+ year history is a distortion of facts that lends the school unwarranted prestige. Through a series of mergers and turnovers, it is possible to trace the school of today to one founded in 1909, but TCI bears little resemblance to the original school – a vocational school to train radio engineers founded by the Nobel Prize-winning inventor of the radio, Guglielmo Marconi.

ASA College, on the other hand, does not lay claim to a long institutional history. Founded in 1985 by Russian immigrants Alex Shchegol and Leon Rabinovich, the school was originally called Advanced Software Analysis and offered classes in computer programming. After fourteen years of expansion, New York authorized the school to confer various degrees in accounting and medical assisting. Rabinovich ended up leaving ASA to found a second for-profit education venture, the Globe Institute of Technology. The former business partners were involved in a lawsuit in 1999, in which Shchegol accused Rabinovich and his Globe colleagues of supplying defamatory information to New York's Russian language press.

At the national level, the cycle of access and fraud began decades ago with one of the American education system's high points: the passage of the GI Bill. The Servicemen's Readjustment Act of 1944, popularly known as the GI Bill, made federal funds available for higher education. Both the non-profit and for-profit sectors saw a sharp increase in attendance in the immediate postwar years. The bill was also the cause of the for-profit education industry's first national scandal.

With new access to federal subsidies, the for-profit industry enrolled nearly 1.7 million veterans under the GI Bill. A 1950 federal investigation found that nearly two-thirds of the 8,900 for-profit schools that received GI Bill funding had been established after the \$14 billion bill's passage. The New York Times wrote that many of the schools were "simply living off 'the fat of the land' and will cease operations

when the veteran enrollment ends.” A congressional investigation found that some of the for-profit schools had falsified cost and attendance information and billed the government for students who had never enrolled. Congress voted to increase oversight of the for-profit sector.

So began what would become the de facto model of federal regulation of for-profit colleges: an ebb and flow of oversight as the government loosens regulations to make higher education more accessible, some schools abuse this laxity and the government responds with new regulations.

Regulations passed in the 1950s could not prevent further abuse after Congress passed the 1972 Higher Education Act Amendment. Also known as the Student Aid Bill, it extended access to federal grants and tuition subsidies to students enrolled in higher education programs. The amendment also created the Student Loan Marketing Association, widely known as Sallie Mae, to provide federally insured higher education student loans.

The amendment extended equal access to federal subsidies to students at non-profit and for-profit institutions – but not without objections. One report said that “students attracted by sophisticated advertising and unfillable promises may enroll in schools which do not offer the quality of education which the schools claim is available.”

As with the GI Bill, this access to new federal subsidies once again led to abuses and fraud in the for-profit college sector.

In 1976 the Federal Trade Commission concluded an extensive investigation into reported abuses at for-profit schools. The Commission’s 600-page final report concluded that the for-profit college system engaged in “false, deceptive, and unfair acts and practices that have been and are causing serious harm to consumers,” and that if the industry was left unchecked fraud would continue.

The report’s recommendations for reform would have gone into effect four years later, but a group of for-profit schools successfully challenged the FTC in court and prevented the rule from being enacted.

In New York state, for-profit schools faced civil penalties and the repayment of state grants and, in the most extreme cases, imprisonment. In 1979 the president of Careerco School for Paraprofessionals received a four-year prison sentence for mail fraud and conspiracy charges, including faking student records to prevent refunds for uncompleted courses. The school folded due to bankruptcy, with more than \$1.6 million in unpaid debt.

In the late 1980s and ‘90s, skyrocketing student loan default rates prompted another round of federal action against for-profit schools. A 1989 report by the U.S. General Accounting Office found that the amount of student loans defaulted on increased from \$14 million in 1987 to \$247 million in 1989 for all students. In 1987, students at for-profit schools accounted for 12 percent of all defaults. By 1989 that figure had risen to 86 percent.

Congress responded with The Omnibus Budget Reconciliation Act of 1990, which denied a school access to the federal loan program if it had “unacceptably high default rates” for three consecutive years. That rate was set at 35 percent for fiscal 1991 and 1992, and would drop to 30 percent in ensuing years. The 1992 Higher Education Act reauthorization lowered the threshold even further to 25 percent. In 1990 when the national default rate peaked at 22 percent for all students, the default rate at for-profit schools was 41 percent.

The 1992 Higher Education Act reauthorization also created stricter regulations for for-profit schools and instituted the “85/15 rule” in an attempt to stem abuse. Under this requirement, schools would not be able to receive more than 85 percent of their revenue from federal student aid.

Once again, the for-profit industry responded to increased regulation with lawsuits. Lawsuits filed by the Career College Association, a lobbying organization that represented 1,300 trade schools, charged that increased regulations would “inadvertently cause good schools to close their doors to the detriment of the students and the school owners.”

These attempts to stop regulation were not successful but the 85/15 rule was later modified by the 1998 Higher Education Act Amendments. These amendments set the 90/10 rule for proprietary schools, which set a maximum of 90 percent revenue to come from federal student aid.

But even this has not been enough to change the industry, and enrollment has grown exponentially in the last four decades. The for-profit college industry has become a big business with some schools engaging in what Harvard researchers have called “highly aggressive and even borderline fraudulent recruiting techniques.”

SECTION V: Robbed without a gun

Garvin Gittens had his image plastered all over the subway in 2011 when he became one of the faces of New York City’s Know Before You Enroll campaign. Gittens graduated from the now-defunct for-profit school Katherine Gibbs with an associate’s degree in graphic design and more than \$20,000 in debt.

“I saw the ad on TV about Katherine Gibbs and they made it enticing,” said Gittens. “I went down there and enrolled and they made the process pretty easy. Taking the class, going through, they promised job placements after you graduated.”

When Gittens applied for the bachelor’s degree program at the School of Visual Art, administrators told him that they couldn’t accept the credits he’d earned in the two years he spent at Gibbs – the school hadn’t been accredited, leaving him holding a useless degree.

The Mayor’s Office of Adult Education launched The Know Before You Enroll campaign in 2011 to educate consumers about for-profit school fraud. But constant turnover in city offices – the Mayor’s Office of Adult Education became the Office of Capital Development, and then when Mayor Bill de Blasio took office in 2014 it became the Office of Workforce Development – has forced the campaign to be put on hold.

In order for a college in the U.S. to receive federal student loans, that school must receive accreditation from one of 52 organizations that have been approved by the Department of Education. Most accrediting agencies function as private, non-profit agencies – a system that’s been separate from the government since 1919 when accrediting agencies were created.

Typically, accreditation involves self-studies by the institution, peer-reviews and a judgment by the accrediting body based on its own quality standards. Accreditors are required to report some information to the department and the public, but they are otherwise independent and opaque.

ASA and TCI are both accredited by the same regional organization: The Middle States Commission on Higher Education. MSCHE requires a 10-year review cycle including a self-study and on-site evaluation by a team of peer judges.

Some experts place blame on the accrediting agencies themselves, which are tasked by the Department of Education with evaluating a school's ability to deliver on the services it has promised, and its efficacy in doing so. One of the questions often raised is how a system where schools pay the evaluators to receive accreditation can remain unbiased.

“At some level there's not a lot of consequence to the accreditor if it doesn't do its job well in terms of regulating the college, right?” said Miller, the policy analyst at New America. “There's a much stronger incentive for them to keep people in business because if they try to take action against anyone, they're just going to get yelled at and they'll potentially lose business since their model is predicated on approving schools.”

A majority of the funding for accrediting agencies comes from membership dues from schools the agencies' accredit. In fiscal year 2015, a school with \$50 million in expenses – about the size of ASA – and five 500-student branch campuses would be charged \$11,788 in dues. Schools are charged thousands more for on-site evaluation visits including travel expenses, follow-up meetings and other procedural steps.

Richard Pokrass, director for communications and public relations at MSCHE, said that the idea that the regional peer-review process leads to leniency is baseless. The process is designed to prevent a “You scratch my back, I'll scratch yours” mentality, he said.

Asked whether he is personally confident that for-profit members like ASA and TCI meet its quality standards, Pokrass pointed out that the review process is more than just an obligation every couple years. The commission looks at financials on a yearly basis, monitors media reports about its members and communicates with institutions about areas that need improvement, he said, and the accreditation it bestows is more than just a formality.

Peer reviewers are typically from another state and can't be in the same system or a direct competitor of the school they are evaluating. After the team submits its report, the information is reviewed carefully by a committee and then by the commission, so every decision must be approved three times, said Pokrass.

“The commission feels that the schools it accredits are achieving a level of quality,” he said. “It's not just a matter of an institution saying, ‘We're doing a good job and here's our evidence’ and the commission rubber-stamping it – that's not the way it works.”

ASA President Shchegol emphasized the school's accreditation in response to NYLAG's suit that alleges the school fudged its job placement numbers.

"They're saying we lie to our students but we have accreditation from Middle States and ACAC [The American Council for Accredited Certification]," said Shchegol. "How can we lie?"

SECTION VI: Here comes the bill

Rodney Williams graduated from ASA in 2011 with a two-year degree in criminal justice and \$28,083 in student loans. According to NYLAG's suit, which names Williams as a plaintiff, the 36-year-old secured two externships, including one in a NYPD precinct in Harlem, but could not find steady employment after graduating. According to the suit, Williams called ASA for help, but the school did not help him find a job "in any way."

But ASA representatives did call Williams in 2012, when he was at risk of defaulting on his loans. The school asked Williams, who was homeless, to come into the school to talk about putting his loans in forbearance.

A high default rate – the percentage of students who fail to pay back their federal loans – can lead to ineligibility for federal student aid, a death sentence for for-profit schools that rely on federal funds for revenue. The rule was first instituted in the late 1980s, marking the end of a for-profit boom.

"Some for-profit trade schools with high loan default rates received substantial proceeds from such loans while providing students with little or no education in return," wrote the GAO in a report about conditions leading to the policy shift.

From 1991 on, schools were judged using two-year default rates – students' default rates two years after graduation – which plummeted to about 5 percent in the early 2000s. Not only were the worst schools forced to close, but schools also learned how to manipulate the default rates while following Department of Education guidelines.

Students like Williams, who can't pay back the money given to a school in their names, are a threat to a for-profit school's existence. But if they participate in forbearance or deferment programs – options put into place for struggling borrowers – they aren't counted as defaulters. Since the two-year default rate only counted students who defaulted in the first two years after graduation, if students like Williams are in forbearance during that time, the school is safe from federal repercussions, even if students default in their third year.

Recently, the Higher Education Opportunity Act of 2008 increased the default window to three years, in an effort to make the default rate harder to game. When the window was widened, for-profit default rates jumped from 15 percent to 22.7 percent, compared to 7.2 to 11 for public schools and 4.6 to 7.5 for non-profits.

“They were doing a lot to keep people out of the two-year window,” said Kevin Kinser, an associate professor focusing on for-profit higher education at the University of Albany. “When [the government] switched to three-year, they caught some people who they had basically ignored because they were outside the window.”

But the three-year rate is almost as easily manipulated, said Kinser. A student who has been unable to find work can postpone payments for three years through deferment alone. Forbearance through the loan provider can add another five years, and a loan isn’t counted as in default until a borrower fails to make a required payment for 270 days. That’s more than eight years that students could avoid defaulting, even if they had been unable to make payments since they walked across the stage, diploma in hand.

As soon as the metric changed, the new three-year rate also began dropping for for-profit schools, falling from 25 percent for the 2008 cohort to 19 percent for 2011, while the overall rate barely changed at all. The percentage of borrowers in deferment or forbearance has also jumped over the years, from 10 percent in 1996 to 22 percent in 2007. More than half of all for-profit borrowers are in such programs today.

Declining default rates are often a sign of aggressive intervention. Sometimes institutions hire third-party “default management” companies to track down at-risk students and encourage them to move themselves out of the two or three-year window by entering forbearance or deferment.

Before its downfall in late 2014, Corinthian Colleges achieved a notable reduction in its three-year default rate, from 36.1 percent in 2009 to 18 percent in 2010, by investing \$10 million in default management strategies, including knocking on doors and offering McDonald’s gift cards to students to convince them to contact default management workers.

ASA College reported a similar drop in Oct. 2014, from 37.3 percent in 2009 to 22.4 percent in 2010 to 6.3 percent in 2011. Deferment rates and forbearance rates are not available by institution for comparison, but Kinser said that the sudden drop was “remarkable.”

“It’s not the most robust number in the world, but it’s still pretty dramatic that they’d be able to bring it down that much,” he said. “It’s so dramatic, that you’d think they’d be able to say, here’s what we did, here’s what we put in place to manage this.”

NYLAG’s suit against the college puts forward an answer. According to the complaint, ASA launched an intensive program in 2011 to bring down high default rates, paying employees \$100 for each borrowing student they were successfully able to coax into forbearance. The complaint alleges that employees were trained to push students into forbearance even if other programs would be more in their interest, and did so by misleading students and sometimes violating federal law. The campaign stopped in March 2013.

Of course, a school could also lower its default rate by reducing its dependence on federal loans, by lowering its tuition so students’ debt burdens are less onerous or by increasing the quality of its education so that students can more easily find jobs. At ASA, the total cost of attendance and the net price after grant and scholarship aid are both about \$3,000 higher since 2008. The default rate gains may be ill

gotten, but the low numbers draw potential students who don't know how easy it is to game the federal metrics.

“Already it's 6.2 percent, which is one of the best in the country,” said ASA President Shchegol. “People pay back when they have money. People pay once they have jobs.”

SECTION VII: Nothing to show for it

In the back office of the Neighborhood Trust Fund in central Brooklyn, financial counselor Justin Enany leads the third week of a financial counseling workshop. The workshop is one of 25 financial empowerment sessions funded by the city's Know Before You Enroll Campaign. Enany and the 12 men and women in the room discuss how to make a budget, how they spend their money and what triggers their buying.

The group is tired. Many have come from low-paying jobs across the city, and they are anxious to get to the part of the class where they learn how to “find money” in their budget. In his mid-twenties and tall, Enany's wide smile fills the room and puts the participants at ease.

Ivanne Joseph is one of Enany's clients, though she isn't at this meeting. Joseph has \$34,000 in student loan debt from ASA. Despite the associate's degree she earned in accounting and business administration, she hasn't been able to find a job since she graduated in February.

Joseph is typical of the clients Enany counsels. The workshop isn't geared solely toward people with unmanageable student loans. But a lot of them fall into this population – and a lot of them come to Enany after taking out federal loans for a for-profit college in the area.

Enany said he hadn't heard of for-profit colleges until he moved to New York City a year ago from his hometown in southwestern Pennsylvania. Now, he said, he hears about them all the time. He often mentions an elderly homeless veteran who was tens of thousands of dollars in debt from Monroe College, a for-profit school in the Bronx. The crushing loans he has to pay back are holding him back from finding a job or opening a bank account, because any wages will be garnished by debt collectors.

To counter the debt that cripples students of predatory schools, the US Department of Education recently announced a new regulation called gainful employment. In July 2015, stricter rules will decide what schools may have access to federal aid money through student loans.

The rule uses the debt-to-income ratio of a program's graduates to determine how well a program has prepared graduates for the field. Three years after graduation, former students of a certificate or career-training program may not pay more than 20 percent of their discretionary income or eight percent of their total earnings toward their student loans. It is estimated that 1,400 programs will not be eligible to receive federal aid due to this new rule and that 99 percent of these programs will be at for-profit institutions.

When the government announced the first round of gainful employment rules in 2011, for-profit schools met the regulations with fervent opposition, sending letters and emails to Congress and urging students to

do the same. Once the government released the new rules, the industry quickly took them to the courts. Just one day before the rules were supposed to go into effect, a federal district court judge struck down a key part of the law – that 35 percent of graduates currently be repaying their student loans – citing the arbitrariness of the repayment percentage.

This time was no different. Opponents quickly moved to block these new rules. The Association of Private Sector Colleges and Universities, a coalition of for-profit schools, has filed a lawsuit against the Obama administration. APSCU President Steve Gunderson said that the organization wants to protect the rights of students whose higher education choices will be limited by this new rule.

APSCU, which counts ASA among its members, stresses that for-profit colleges fill a void in the education system where public and non-profit schools fall short. There is a demand for education among the underserved and immigrant communities. For-profit schools have few education and background requirements, and they'll take anyone regardless of income level.

“We feel that every college in America ought to be judged by outcomes, not by incomes,” said Gunderson. He said that the gainful employment regulations’ focus on three years after graduation isn’t fair because that’s not enough time for a student’s education to have made a large mark on their socioeconomic standing.

Critics of for-profit schools say this is a smokescreen to hide bad practices.

“It's a little bit of a weird argument because you're talking about schools that especially recruit in this demographic, and then try to hide behind it,” said Miller of New America.

“Higher education access is about actually giving them access to a quality education at an affordable price and helping to see them through,” he said. “None of them actually talk about serving this demographic. It's more that this is the demographic that you can convince to go there.”

Last year, New York City passed a new law that will allow the government to access wage data of employees after they graduate from schools or job training centers. City officials hope to use the data as a metric for whether programs offered by for-profit, non-profit and public colleges are working. But city officials modeled this wage data analysis, still in its very early stages, after the gainful employment rule – and critics of Obama’s new rule are again left wanting more.

In the meantime, David Guerra is trying to manage his debt. On a recent Friday he met with a financial counselor in NYLAG’s offices. A whiteboard covered in notes referenced cases in various states of progress: Active, Developing, Monitoring. A huge binder full of research sat on a sagging prefab bookshelf on the wall.

Jeff Garofano, a financial counselor at NYLAG, pulled up Guerra’s loan information. In the years since graduating from TCI, he had postponed paying. The deferred interest added to the loan premium now brought his total balance due to over \$35,000.

His rent is \$1,600 and he supports his wife and adult son on a monthly salary of just over \$3,100, making his monthly student loan payments of \$329 difficult to pay.

Garofano thought Guerra might be eligible for a new Obama initiative called Pay As You Earn, which would dramatically lower his monthly payments. Guerra and his wife perked up – they needed lower payments. So together, Guerra and Garofano called the loan servicer.

After 20 minutes on the phone it became clear that Guerra was not eligible for Pay As You Earn. Garofano slumped in his chair. The translator delivered the news to Guerra who, too, began to deflate.

“Education is supposed to be the way to better your life,” said Guerra, holding his wife’s hand. “It’s supposed to be worth the pain.”