



VIRGINIA CAREER COLLEGE ASSOCIATION

VCCA

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ATTORNEYS GENERAL LAUNCH SECTOR INVESTIGATIONS

Attorneys General of ten states have launched a joint investigation of private-sector colleges regarding potential violations of consumer protection laws. Led by Kentucky's AG office and including Iowa, Illinois, and Florida, the effort consolidates several recent probes, which have focused on misleading recruiting practices, similar to an undercover Government Accountability Office investigation last summer. The states' primary goal is to share information, but may generate common requirements with new industry standards, according to Kentucky's Attorney General Jack Conway. Past precedent for multi-state settlements include tobacco company litigation and social networking site protection against sexual predators and current similar efforts include improper mortgage foreclosures. New York, the sixth state to make its investigation public, recently issued subpoenas to Bridgepoint Education, Career Education, Corinthian Colleges, and Lincoln Educational Services. The VCCA is monitoring this situation closely and has reached two tentative conclusions. First, many of these actions appear to be largely motivated by politics as opposed to industry abuses. Secondly, there does not appear to be any evidence as of yet that Virginia will join in these actions.

VIRGINIA SECRETARY OF EDUCATION MOVES TO FLORIDA

Gerard Robinson, Virginia's Secretary of Education, earlier this month accepted the job as Education Commissioner of Florida. Over the last two years Secretary Robinson has spent considerable time getting to know our sector, visiting our schools, and trying to ensure that our sector had a seat at the higher education table. No former Secretary of Education in the recent history of Virginia has come close to matching the efforts made by Secretary Robinson in understanding our sector and advocating for our students. The VCCA will miss him sorely in Virginia, and wish him and his family all the best in their new home in Florida.

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LIFETIME EARNINGS OF COLLEGE GRADUATES

A Pew Research Center analysis used Census Bureau data to show the lifetime earnings of college graduates. The report, “Is College Worth It,” estimates a 40-year career for an average adult with a bachelor’s degree (and no additional education) produces earnings of \$1.42 million, versus \$770,000 for an average high school graduate. The difference narrows by approximately \$100,000 when considering educational expenses and the opportunity cost of wages while in school. Based on program data from American Community Survey, the benefit of higher education varies by undergraduate major—engineering and computers at the high end and education at the low end of estimated lifetime earnings.

GAINFUL EMPLOYMENT—A BRIEF HISTORY AND SUMMARY

The gainful-employment rule was among more than a dozen proposed by the Department of Education which were proposed to target perceived abuses in our sector. The others, including one that restricted commission payments to student recruiters, were approved last year. Gainful employment was the most contentious by far. Pushback by our schools, employers and students against a draft version last year delayed release of the rule.

Schools which fail to meet this standard three years out of four will no longer be allowed to accept students who pay with federal loans. And for the first year they fail to meet the standard, they must tell new students of that failure. Under the original proposal, programs would have been barred from taking students with federal loans after just one year of missing the target. Other new rules require schools to disclose graduation rates and job placement rates to new students.

To stay eligible for federal financial aid, each program will have to meet one of three benchmarks: a federal student loan repayment rate of at least 35 percent, a debt-to-income ratio of less than 12 percent or a debt-to-discretionary-income ratio of less than 30 percent.

The chart on the following 2 pages summarizes the proposed proposal and final rule.





GAINFUL EMPLOYMENT—A BRIEF HISTORY AND SUMMARY (cont'd)

The Outcome ...	Under the Proposed Rule ...	Under the Final Rule ...
Institutions have longer to prepare.	The Education Department would have started collecting data and holding programs accountable immediately, and students in ineligible programs could have been disqualified from receiving federal financial aid as early as 2012.	The earliest a college could lose eligibility is 2015. Data collection will begin in 2012, after the final rule takes effect.
Thresholds are lowered, and the “yellow zone” disappears.	The department set minimum and preferred standards for debt-to-income ratios and repayment rates. Programs that fell between the two would be considered to be in the “yellow zone,” required to tell students about debt levels and capping enrollment. The gold standard for full eligibility was a 45 percent repayment rate, a debt-to-income ratio below 8 percent, or a debt-to-discretionary-income ratio below 20 percent.	The higher thresholds are eliminated. Programs that meet the standards that were formerly considered minimal -- either a 35 percent repayment rate, a debt-to-income ratio below 12 percent for the typical graduate, or a debt-to-discretionary-income ratio below 30 percent -- are now considered fully eligible.
Programs get more chances to improve.	Programs whose debt repayment rates or debt-to-income ratios fell below specific benchmarks in a given year would have been ineligible for federal financial aid immediately.	A “three strikes” process is in place: Programs must fail to meet the benchmarks in three out of four years before they lose eligibility. A single bad year will no longer put a program in serious jeopardy.
Programs on the brink face less punitive action.	Programs that fell into the “yellow zone” would have had to warn graduates prominently that they might not be able to repay their loans, and enrollment would have been capped at the average for the previous three years. Institutions also would have had to provide the department with affirmations from employers testifying to the existence of job openings in the field.	Programs that miss the benchmarks for one or two years face increased disclosure requirements, including letting students know that they failed the first time. The second time, they must inform students about opportunities to transfer and warn them that they might not be able to repay their debt. But enrollment will not be capped and the employer-affirmation requirement no longer exists.
Bureau of Labor Statistics data can be used to measure income -- but only for the first three years.	Bureau of Labor Statistics data on salaries in various fields could not be used to calculate a college's debt-to-income ratios. For-profit institutions prefer that data to those from the Social Security Administration, which the colleges contend will understate graduates' income (because students may not report all their income) and will not be available to the colleges before evaluations begin.	Bureau of Labor Statistics data can now be used during the transition period before the rule is fully enforced, but beginning in 2015, analyses must be based on Social Security Administration data, which deal with individual students rather than generic career fields.
Debt-burden calculations are adjusted.	All student borrowing was included in the overall debt load.	Colleges will be held accountable for students' debt only up to the level of tuition and fees and other educational expenses, so institutions are not responsible for students who borrow more than strictly necessary to cover rent or other expenses while enrolled.
Annual loan payments for debt-to-income ratios will also be calculated differently, assuming that students will take longer to pay off many loans.	Loan payments were calculated using a 10-year amortization for all programs.	The loan period for associate degrees and certificates will be assumed to be 10 years loan period, for master's and bachelor's degrees 15 years, and for other degrees 20 years.



GAINFUL EMPLOYMENT—A BRIEF HISTORY AND SUMMARY (cont'd)

The Outcome ...	Under the Proposed Rule ...	Under the Final Rule ...
<p>Repayment rate calculations change.</p>	<p>A borrower was counted in repayment only if he or she paid down the principal balance on his or her federal loans.</p>	<p>Repayment rates will be based on loan principal and interest, so students who make interest-only payments will be considered current. So will those in the federal government's income-based-repayment program. An anti-abuse rule will limit the number of students who are paying less than accrued interest.</p>
<p>Students' debt and income levels will be checked a few years after students finish programs.</p>	<p>Debt-to-income levels would have been measured throughout students' first four years after graduation, potentially penalizing programs whose students did not get jobs immediately after finishing.</p>	<p>Both the repayment rate and the debt-to-income ratios will be based on students in their third and fourth years after graduation. Adjustments will be made for small programs, medical and dental programs and improving programs.</p>
<p>Fewer programs will be found ineligible.</p>	<p>The Education Department predicted when the proposed rule was released that 5 percent of all programs would lose eligibility, but fully 55 percent would have been in the "restricted yellow zone."</p>	<p>With the elimination of the "yellow zone," that 55 percent will now pass.</p> <p>Predictions of ineligibility have dropped to 2 percent for all programs and 5 percent for for-profit programs. Eight percent of all programs -- and 18 percent of for-profit programs -- are predicted to fail all measures at least once, but recover before accumulating "three strikes."</p>

VCCA AND APSCU HOST JOINT GRASSROOTS WORKSHOP

The Association of Private Sector Colleges and Universities and the Virginia Career College Association hosted a state Grassroots Workshop in Virginia on May 20th, 2011 at Stratford University's new Richmond Campus.



The workshop gave attendees an opportunity to network with industry leaders and learn best practices on how to most effectively market their institution to members of congress and the Virginia General Assembly. Presenters provided insight on how to perform follow-up that is most effective and gave schools an idea of how their local actions fit into the larger state and national picture.

As the VCCA Executive Director pointed out during his presentation, “nothing realigns thinking and dilutes the negative stereotypes of our sector and our students more effectively than a properly organized school visit by a member of the press, a regulator, or a policy maker/legislator. Nothing is more powerful than sitting in your classrooms and talking with your students and instructors.”

The session's keynote speaker was Virginia Secretary of Education Gerard Robinson who made an outstanding presentation on the value that the private sector brings to education. Special thanks to Dr. Rick Shurtz and his fine staff for hosting this important event.

NEW BOARD MEMBER APPOINTED

The VCCA Board of Directors has appointed Deborah Brent, the ITT Chantilly Campus Director, to fill an unexpired term on the Board. Deborah has been with ITT Tech for 4 years and was College Director of the Year in 2010 for the ITT nationally. Her Chantilly campus was an ACICS Honor Roll Institution in 2009 and she has been in the proprietary education sector for 16 years. Congrats to Ms. Brent and welcome to the VCCA Board of Directors!



MEMBERS IN THE NEWS

The VCCA is pleased to welcome our newest institution to the association – Fortis College Richmond. Fortis is an ACICS accredited institution focusing on health-care related curricula. We are most happy to be able to include Fortis in our ranks, and look forward to working with Campus President’s Katharine Walton (Richmond Campus) and David Splitstone (Norfolk Campus) as we continue to advocate for our students and sector in Virginia.



ECPI College of Technology announces it has changed its name to ECPI University.

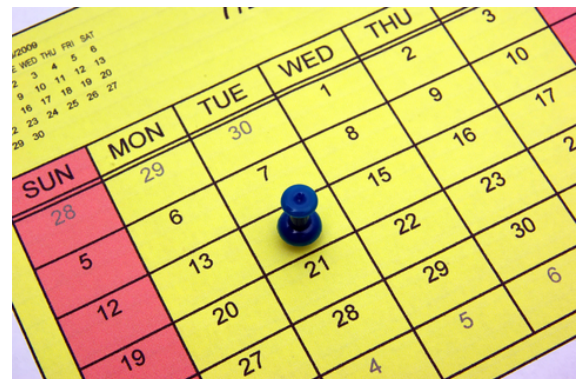
The name change reflects the diversity of programs and various levels of education it provides. Congratulations to ECPI University President Mark Dreyfus and his staff for creating the growth institutional commitment to the success of their students that underpins this change.



Dates to Remember

September 30th – VCCA Annual Conference

Richmond Short Pump Hilton Hotel



COHORT DEFAULT RATES RISE, BUT ARE INACCURATE

The Department of Education (DOE) released draft FY2009 cohort default rates (CDR) for post-secondary institutions. As expected, cohort default rates continued to rise for a fourth consecutive year amid the weak economic backdrop. The national CDR increased to 8.9% from 7.0% for the F2008 calculation period while rates for proprietary institutions increased 360bps to 15.2% (highest levels since F1997, but still below 20%-30% range in the early 1990s). Rates increased within public and private non-profit institutions to 7.3% and 4.7% respectively (+130bps and 70bps, respectively). CDR is defined as the percentage of student-loan borrowers who enter repayment on federal student loans and default within two years; the F2009 rate represents students who began repayments from 10/1/08-9/30/09 with defaults on or before 9/30/10. Be reminded that these CDRs are draft numbers subject to further adjustment. Official FY2009 CDR along with data by institution is expected to be released in September but already USDOE officials have indicated that the just released data is tarnished.



The Association of Private Sector Colleges and Universities (APSCU) issued the following statement in response to the U.S. Department of Education's admission that it made errors in calculating the three-year cohort default rate (CDR) for federal student loans that apparently led to reporting higher than actual projected default rates. This significant error follows on the heels of a Government Accountability Office (GAO) unfavorable report on the sector

which was also found to be laden with mistakes, all of the mistakes biased against the schools and their students:

"We are very disappointed that the Department of Education has released erroneous data that harms students and schools. Errors have consequences. The damage to reputation that such mistakes cause is in-

calculable. It's time for the Department to re-examine its behavior and adopt conduct that levels the playing field and puts students first, regardless of the type of school they elect to attend. If there is a lesson to be learned here, it is that the Department should avoid a rush to judgment, whether it concerns the release of

erroneous student loan default rate data in its keeping for more than a year or the implementation of a sweeping change such as the proposed gainful employment rule for which the Department has provided no credible research and which independent research has shown to be fundamentally flawed. Imagine the impact on schools should similar ED mistakes lead to the elimination of entire programs? To rephrase an old saying: an ounce of caution is worth a pound of cure. The House of Representatives had it right when it voted overwhelmingly to put the gainful employment proposal on hold so the Department and other stakeholders can take a fresh look at the most effective ways to deal with student loan defaults."

VCCA strongly agrees with our friends at APSCU. Get it right before distributing it. It is nearly impossible to put Humpty Dumpty back together again.

PROGRAM INTEGRITY FINAL REGS—CORRECTIONS

On Wednesday, April 13, 2011, the Department of Education published a Federal Register notice making changes/corrections intended to clarify several provisions in the Program Integrity rules. All the technical corrections apply to State Authorization, Incentive Compensation and Misrepresentation. The Misrepresentation section changes “capacity to confuse” to “tendency to confuse”. State Authorization is clarified to emphasize that states are not required to set up a licensing agency. Finally, the Incentive Compensation change clarifies “entities” are included in the profit-sharing portion of the regulations.

NONPROFITS HAVE HIGHER PROFIT MARGINS THAN CAREER COLLEGES

Nonprofit colleges have higher “profit” margins than their for-profit peers, according to a [report](#) that compares the sectors’ per-pupil spending and revenue. The report, by the libertarian Cato Institute, estimates that the average private college makes \$12,800 per undergraduate—double the margin of the for-profit University of Phoenix—while the average public college makes \$11,000. Although that revenue does not go to shareholders, as in the for-profit sector, some of it subsidizes programs that do not directly benefit undergraduates, such as research and graduate education. The report recommends shrinking the federal student-aid system to end the “massive transfer of wealth from the taxpayer to the industry.”

SCHEV ANNUAL REPORT ON OUR SECTOR PRESENTED

Every year SCHEV staff is required to present a summary report on the status of our sector. The results are worth noting by all VCCA members. Given that fact, the report is reproduced in its entirety and included as an attachment with this newsletter.

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