

For Profit School Dilemma

It began with Corinthian College shuttering its campuses. Then, Marinello Beauty Schools, Wright Career College and ITT Technical Institute abruptly closed down. Most recently, the Department of Education has shut down the accrediting body Accrediting Council of Independent Colleges and Schools (ACICS). All of this has left GI Bill® students with debts and incomplete programs. And more closures are coming.

What is Happening

For profit schools have long been accused of being diploma mills, providing inadequate training, and swindling students. The US government is investigating and suing some for profit colleges for inappropriate recruiting practices, falsifying school disclosure information, using bait and switch tactics, selling high interest loans to students, and forcing students to sign non-arbitration agreements as part of admissions. After years of investigation of student complaints and verifying school disclosure information some for profit schools are under scrutiny from various bodies of government.

For profit schools are pressed from the government, the economy, greater restrictions, more stringent reviews, and market competition. Teach out mode is becoming a common phrase with for profit schools. When a school is in teach out mode, it means that it is closing that campus but is allowing any current and continuously enrolled student to complete their program. Teach out mode can also be applied to a single program; this can mean the school is updating its programs.

ITT Technical Institutes was in teach out mode when it closed. The U.S. Department of Education increased the solvency requirement twice after placing the school on higher cash monitoring and ITT Technical Institutes chose to shut down. There are other for profit schools in teach out mode.

It is not only the for profit schools that are under greater scrutiny. The U.S. Department of Education last week said it would back a federal panel's decision to eliminate Accrediting Council of Independent Colleges and Schools (ACICS), a national accreditor that oversees 245 colleges that collectively enroll roughly 600,000 students.

The ACICS Issue

Although ACICS is no longer recognized as an accrediting body, military and veteran students who attend colleges that are accredited by ACICS should be able to continue receiving Post-9/11 GI Bill benefits to attend those institutions, at least for another 18 months.

The accreditor also is the gatekeeper for federal aid at 700 GI Bill -approved programs. On September 21, 2016, the U.S. Congress [passed legislation](#) to allow GI Bill® recipients to continue attending ACICS-accredited colleges. President Obama is expected to sign House Resolution 5985- Department of Veterans Affairs Expiring Authorities Act of 2016.

"At this point nothing changes for you for at least the next 18 months," said Curtis Coy, Deputy Under Secretary for Economic Opportunity at the VA, in the email to students. "We would, however, suggest you may want to re-evaluate your educational goals and decide that your current school and program will either meet your need for the next 18 months or that you may want to consider other options, courses and/or schools."

If the legislation is not signed, then thousands of GI Bill® students will have debts dating back to the removal of ACICS based on the requirements for approval. Some schools accredited by ACICS will not be able to meet the requirements of a non-accredited school approval.

What Options Do Students Have

Students could choose to continue at their institution, look to transfer their credits to another institution, pause their education or, if the company closes before they finish, look to discharge their loans.

Transferring credits to another institution may be difficult for students. The receiving institution can choose to accept or deny transferred credits. Schools with approval for GI Bill® benefits are only required to review previous credits, acceptance of credits is not required. It will take some research and weighing of options to choose a new school.

Paraphrasing Credit Suisse Analyst Trace Urdan on ITT, community colleges and four-year institutions with regional accreditation may be less receptive to for profit school students because they may not accept the credits, since regional forms of accreditation are more highly regarded, and that those institutions may look at a for profit school transcript negatively. However, community colleges are also feeling the strain of the current economy and are more flexible on enrollments.

In an attempt to find a school willing to accept credits students may be moving from one bad situation to another. Pauline Abernathy, executive vice president of the Institute for College Access and Success, said the now-closed Corinthian was enrolling thousands of students who had been attending institutions that had closed.

Another issue students may face in trying to start over is that they may have already used up their six-years of Pell Grant eligibility. Unlike HR 5985 the [legislation](#) introduced by Congress to restore Pell eligibility for students who attended institutions that were closed for certain violations like fraud or predatory practices has not passed.

According to an Education Department statistic TICAS published earlier this month: "47 percent of all direct loan borrowers at schools that closed from 2008-2011 neither received a closed school discharge nor received Title IV aid to enroll elsewhere in the three years following the school's closure. These students were left with debt but no degree."

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Distilling Information and Finding Resources

The Education Department communicates directly with students and publishes information like its [blog post](#) for ITT students. Students should analyze the information provided and possible motivations behind support or discouragement of certain actions. Some of the information and its presentation from certain schools on student options is the foundation of advocacy for a standard letter that the Department of Education would require for school closures.

Quoted from [Scrambling for Options](#) by Ashley A. Smith: *Abernathy said her organization also is in favor of standard language from the department. For example, she points to a letter from the now-closed Westwood College that encourages students to*

transfer to one of the institutions it was negotiating with at the time.

They don't mention the student is eligible for school closed discharge until after the signature of the person who wrote it and even then what they write is discouraging of taking a discharge," Abernathy said. So why were they discouraging them? Westwood may have had a letter of credit [with the department]. The more students who took the discharge the more the department would draw down on that letter of credit, so they had a strong financial interest to discourage school discharges."

A letter of credit is collateral the government asks colleges to set aside when officials have concerns that an institution may be unable or unwilling to pay back money it owes the government.

At some point, if the department no longer needs a letter of credit for liability and if there are no borrower-defense claims or discharges, then the institution could get some of that money back, she said.

There are many resources available to students on both government and private websites. The federal government will publish information on actions taken. However, it can seem like a dry spell of information between those publications. Students can go to government websites to read blog posts and current event posts on the main pages to see if any new information is released. Several government departments have Facebook pages, but students need to read the "About" section to know whether or not there is a government moderator or blogger on that page. As can be seen by the outreach from Under Secretary Coy government departments are trying to be relevant and proactive.

Students can read articles on trade websites like [Inside Higher Ed](#). Or, they can use [Google Alerts](#) to keep them up to date any news on their school. [College Scorecard](#) is a website that gives a full breakdown of a school's standing with government and accreditors and its credentials.

Kansas students can also contact the Kansas State Approving Agency regarding their school and its programs for GI Bill® education and training issues.

Other Resources

[Federal Loan Forgiveness](#)

[GI Bill®](#)

[House Resolution 5985](#)

[Pell Grants](#)

[Student Veterans of America](#)