



May 29, 2012

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## MADIGAN, STATES URGE CONGRESS TO STOP FOR-PROFIT COLLEGES' EXPLOITATION OF VETERANS' EDUCATIONAL BENEFITS

**Chicago** — Attorney General Lisa Madigan and her counterparts sent a letter today to Congressional leaders urging them to close a loophole in the Higher Education Act that has allowed many for-profit schools to exploit education benefits available to American service members, veterans and their families.

The states' letter calls on Congress to more closely regulate military education assistance that many for-profit schools have increasingly used as a revenue source. A loophole in federal regulation has led to high-pressured recruiting of veterans by for-profit schools in order to tap into the vast pool of federal dollars coming out of the GI Bill and the U.S. Department of Defense Tuition Assistance program. Madigan has been an outspoken critic of the for-profit schools industry and earlier this year filed a lawsuit against the national, for-profit Westwood College for engaging in deceptive practices that left Chicago area students with up to \$70,000 each in debt for degrees that failed to qualify them for careers in criminal justice.

Madigan said a U.S. Senate committee study showed that for-profit colleges' revenue from military education funding has increased by 683 percent in the last four years. In a survey of 20 for-profit colleges, the committee found military education benefits increased from \$66.6 million in 2006 to a projected \$521.2 million in 2010.

"Military service members, veterans and their families have become rich targets for aggressive for-profit college recruiters seeking to maximize their revenues, as opposed to their students' graduation and employment rates," Madigan said. "For-profit colleges are exploiting service members' education benefits and then entrapping them in costly private loans in exchange for questionable degrees that often have very little real-world value."

All colleges and universities nationwide are subject to the "90/10 rule," which prohibits schools from deriving more than 90 percent of their revenue from U.S. Department of Education (Title IV) funding sources. However, veterans' education benefits are not categorized as Title IV funding. Many for-profit colleges have exploited that exception, allowing them to take in a full 100 percent of their revenues through government funding – 90 percent in Title IV funding and 10 percent in veterans' benefits. The federal pool of education assistance presents an attractive funding source for many for-profit colleges due to the easy application process for students, the speed at which funding is received by the college and the vast amount of dollars available.

Madigan and her counterparts are urging Congress to extend the Title IV funding definition to encompass veterans' education benefits. The move would require for-profit schools to obtain at least 10 percent of their revenue from private sources, as the law intended.

In 1998, Congress enacted the "90/10" rule to instill more accountability in the for-profit schools industry, but veterans' benefits were not yet a substantial source of potential income for colleges. A decade later, Congress enacted the Post 9/11 GI Bill, which made billions of dollars available in educational benefits for service members, veterans and their families. According to a February 2011 General Accounting Office report, \$9 billion in educational benefits were provided to service members and veterans in fiscal year 2010.

The turn to federal education loans by many for-profit schools was in part fueled by the economic downturn, which caused an exodus of private lenders from the subprime student loan market due to excessive student-loan default rates. For-profit colleges largely depended on these private loans to obtain their 10 percent in non-federal funds. This exodus of lenders and the veterans' loophole created a strong incentive to recruit military members, particularly because for each dollar obtained in veterans' benefits, for-profit colleges can obtain an additional \$9 in Title IV funds.

"It's no longer a secret that the worst actors in the for-profit college industry are aggressively targeting veterans in order to pad their company's bottom line," said U.S. Sen. Dick Durbin of Illinois. "Senator Harkin and I have a bill - Protecting Our Students and Taxpayers (POST) Act - that would close the outrageous loophole that allows this to happen. We need Congress to act on it to protect students and veterans from aggressive recruiting practices and help ensure taxpayers are getting a return on their investment. The Attorneys General that signed on to today's letter will be important partners in that effort."

Joining Madigan in sending the letter today were attorneys general in Arizona, Arkansas, California, Connecticut, Delaware, Idaho, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Mississippi, Nevada, New Mexico, New York, North Carolina, South Carolina, South Dakota, Tennessee, West Virginia and Hawaii's Office of Consumer Protection.

The letter to Congress is Attorney General Madigan's latest effort to crack down on the for-profit college industry. In addition to her lawsuit against Westwood College, Madigan filed a complaint in a whistleblower suit in 2011 against Education Management Corporation and the Illinois Institutes of Art in Chicago and Schaumburg for allegedly incentivizing admissions recruiters based on enrollment numbers and thereby defrauding the state of education grant dollars. In 2007, Madigan also reached a settlement with Illinois-based DeVry University and Career Education Corporation concerning student loan practices involving the schools and lenders. The settlements required the schools to adopt a College Code of Conduct and to return the money paid by lenders to schools.

-30-

[Return to May 2012 Press Releases](#)

